PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 518 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-NINTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2010–2011

COMPRISING PERIOD
8 November 2010—19 November 2010

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THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE FIRST SESSION OF THE FIFTY-FIFTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 18 MAY 2010]

FIFTY-NINTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 518**

NINTH VOLUME OF SESSION 2010-2011

House of Commons

Monday 8 November 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Speaker's Statement

Mr Speaker: I have a statement to make to the House. I have to inform the House that, as required by section 144 of the Representation of the People Act 1983, I have received the certificate from the judges appointed to try the election petition relating to the Oldham East and Saddleworth constituency election on 6 May 2010. The judges have determined that the election was void pursuant to section 159 of the Act because the candidate, Philip James Woolas, was personally guilty of an illegal practice. I shall lay the report and certificate on the Table, together with the full judgment and the shorthand writer's notes, and will cause the full text of the report and certificate to be entered in the *Journal*. Members wishing to read the report and certificate for themselves will find it set out in the *Votes and Proceedings* for today, which will be circulated with the Order Paper in tomorrow's Vote Bundle, available online and from the Vote Office. The full text of the judgment has been published by the court on the judicial communications website. I shall place a copy in the Library.

In accordance with section 160(4) of the Act, Mr Phil Woolas has been reported personally guilty of an illegal practice and must vacate his seat from the date of the report, 5 November 2010. I am advised that a renewed application for judicial review has today been made to the administrative court. The administrative court judge has ordered an expedited hearing of the renewed application as he considers it essential that the electorate of Oldham East and Saddleworth should know who is their Member of Parliament as soon as possible. My ruling is that this engages the House's sub judice resolution, and that therefore the judgment of the election court cannot be debated in the House until court proceedings are concluded. I will not take points of order on this matter now; the opportunity for points of order will come after the 3.30 pm statement.

Oral Answers to Questions

DEFENCE

The Secretary of State was asked—

"Fighting Fit" Report

1. **Mr Gordon Marsden** (Blackpool South) (Lab): What steps he is taking to implement the recommendations of the "Fighting Fit" report on the provision of mental health services for service personnel and veterans. [22161]

The Secretary of State for Defence (Dr Liam Fox): The Ministry of Defence takes the issue of mental health very seriously and warmly welcomes the findings of the "Fighting Fit" report from my hon. Friend the Member for South West Wiltshire (Dr Murrison). We strongly endorse its key themes and recommendations. I wish to thank my hon. Friend on behalf of the House and the Government for his timely and well-considered report. We are working closely with the Department of Health, the NHS and voluntary and community sector organisations to implement these recommendations.

Mr Marsden: As Member of Parliament for a town that has very much led the way in support for veterans and service personnel, and as chair of the all-party group on veterans, I, too, warmly welcome the report by the hon. Member for South West Wiltshire and the Government's endorsement of it. One of its recommendations is for the setting up of a veterans' information service, which is a positive and constructive proposal, but does the

Secretary of State share my concern that membership of it will cost £70 a year? Is there not a danger that that might deter some of the most vulnerable service personnel—for example, those struggling to find work or those on low incomes—from signing up?

Dr Fox: The issue of access is important. I hear the point that the hon. Gentleman makes and I shall ensure that securing access for all who may be eligible, including the most vulnerable, is at the forefront of our discussions about the implementation of this report.

Dr Andrew Murrison (South West Wiltshire) (Con): I am extremely grateful to my right hon. Friend for his welcome for my report and for the help that he has given in its preparation. He shares my concern for people with mild traumatic brain injury and knows that a British combat soldier is likely to face exposure to between six and nine improvised explosive device explosions in the course of his career, with the consequent risk of mild traumatic brain injury. Does he agree that more needs to be done to determine the prevalence of mild traumatic brain injury in the British military and to prevent and mitigate its effects?

Dr Fox: Indeed. There is a great deal of interest in this particular element of scientific research on both sides of the Atlantic. I recently visited the veterans agency in the United States to ascertain what the updated information was. We will certainly want to consider all the evidence as it comes forward. It is an emerging science and we will get different types of information as we go through, but the art will be to try to ensure that we best titrate the treatments available to the information given to us scientifically at any one time so that we operate on the basis of evidence, not supposition.

V-shaped Military Vehicles

2. **Philip Davies** (Shipley) (Con): What representations he has received from senior military officers on the deployment of V-shaped military vehicles. [22162]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): Ministers routinely have discussions with senior military officers on a wide range of issues, including vehicle protection. The advantages in blast protection that can be provided by a V-shaped hull are well understood and Mastiff, Ridgback and the new Wolfhound vehicle all incorporate this into their design. The vehicle selected for the new light protected patrol vehicle will also have a V-shaped hull. It would, however, be an oversimplification to suggest that vehicle protection is driven solely by hull design. The type of protection used on any given vehicle is very much driven by the capability the vehicle is designed to meet and the threat it is expected to face.

Philip Davies: I am grateful to my hon. Friend for that answer, but as he will know that has not always been the case. There was originally some resistance from the Army to introducing the V-shaped hull vehicles and if it had not been for the work of people such as Ann Winterton in this Chamber, as I am sure he recognises, they might never have been introduced. Given that, will the Minister assure us that when the troops finally withdraw from Afghanistan, the Government will not dispose of these vehicles in favour of the prehistoric design of the future rapid effect system's vehicles?

Peter Luff: It is a great pleasure to join my hon. Friend in paying tribute to Ann Winterton, whose sterling work on this issue and many others in this House has made a contribution to the happier place that we are in than might otherwise have been the case. Commanders probably now have the range of vehicles they need to cope with the different threats they face in theatre. My hon. Friend is absolutely right to emphasise the importance of ensuring that once the Afghan war is over we learn the lessons and have the appropriate range of vehicles in place to ensure that we can deal with future threats, too.

Mr Ian Davidson (Glasgow South West) (Lab/Co-op): Given that the question of deployment depends very much on availability and reliability—not only of our vehicles and equipment but of those of our allies—and given that aircraft carriers are V-shaped vehicles—*[Interruption.]* They are undoubtedly V-shaped vehicles; there is no doubt about that at all. What views does the Minister have on the fact that the French aircraft carrier, Charles de Gaulle, has broken down yet again and is not available?

Mr Speaker: I am very grateful to the hon. Gentleman.

Peter Luff: Mr Speaker, your characteristic generosity has allowed the hon. Gentleman to proceed with his question. I am not sure that a carrier is a vehicle, but never mind—we will let that go. I hear what the hon. Gentleman says and, like him, I wish we could buy three of our own aircraft carriers; he challenged me on this on Monday. We cannot do that, I am afraid, and I think we have adequate arrangements in place to sustain carrier strike in the future.

Trident Replacement

3. **Dr Julian Huppert** (Cambridge) (LD): What his most recent estimate is of his Department's likely expenditure on Trident replacement in this Parliament. [22163]

The Secretary of State for Defence (Dr Liam Fox): The 2006 White Paper "The Future of the UK's Nuclear Deterrent" set out the initial estimated total procurement cost of the replacement nuclear deterrent as £15 billion to £20 billion in 2006-07 prices. The likely expenditure is dependent on the decision on initial gate, which is yet to be taken. I propose, however, to update Parliament on progress, including costs, after the initial gate decision through the publication of a report.

Dr Huppert: Will the Secretary of State assure me that no binding contracts will be entered into, as we have seen with aircraft carriers and the disgraceful contract in that case, so that if—as I hope—the next Parliament realises that we do not want or need to replace Trident, it will be able to do so at no huge expense?

Dr Fox: The Government's position is quite clear: we will replace the nuclear deterrent and we will replace it with an update of the Trident programme. It is unavoidable that, when we get to initial gate, contracts on the design at least will be placed.

Paul Flynn (Newport West) (Lab): Can the Secretary of State describe any plausible situation in which Britain would use a nuclear weapon independently, because our present policy encourages other nations, however unstable, to acquire their own nuclear weapons for defence?

Dr Fox: The whole point of the nuclear deterrent is to deter, therefore we shall not use it. The success of our whole policy of nuclear deterrence since world war two is that we have never had to use it.

Dr Julian Lewis (New Forest East) (Con): I realise that nothing would please my right hon. Friend more than to go into the next election fighting in defence of the rationale for the nuclear deterrent. Does he not recognise, however, that the appalling decision to postpone signing the main gate contracts leads us to a situation in which if—heaven forbid—there is another hung Parliament, the Liberal Democrats, who are really unilateralist, would be able to blackmail both parties to cancel the deterrent entirely?

Dr Fox: There are two things of which I am sure. The first is that my own belief in the need for an independent, minimal, credible nuclear deterrent for the United Kingdom is and will remain undimmed. The second is that I shall be fighting the general election to see a majority Conservative Government returned.

John Woodcock (Barrow and Furness) (Lab/Co-op): The Secretary of State has said on many occasions that delays in defence contracts end up costing the taxpayer more. Will he say how much extra cost will be incurred by the delay to the Trident programme and the stretching out of the Astute drumbeat that that has necessitated?

Dr Fox: The hon. Gentleman is at least partly correct. There will be additional costs to maintaining the Vanguard class through to 2028. We expect those to be around £1.2 billion to £1.4 billion extra to maintain those submarines for longer. However, his analysis would be far more correct if the ultimate decision to delay the in-service date increased the cost of the successor programme. As no cost will be set out until after main gate, it is impossible to make that assumption.

Mental Health Care Provision

4. **Mr David Burrowes** (Enfield, Southgate) (Con): What assessment he has made of the effect of the outcomes of the strategic defence and security review on mental health care provision for service personnel. [22164]

5. **Richard Ottaway** (Croydon South) (Con): What assessment he has made of the effect of the outcomes of the strategic defence and security review on mental health care provision for service personnel. [22165]

The Secretary of State for Defence (Dr Liam Fox): The strategic defence and security review committed an additional £20 million per year for the provision of health care to service personnel, part of which will be used to deliver further enhanced mental health care services. It is planned that this will include an uplift to the numbers of specialist and supporting mental health personnel.

Mr Burrowes: Although I welcome the Government's commitment to increase mental health services for servicemen and veterans, does my right hon. Friend share my concern about the need to tackle the prevalence of dual diagnosis alcohol-related disorders given that it has an impact on those who are in the transition to civilian life, with some ending up in the criminal justice system?

Dr Fox: Indeed, my hon. Friend makes an important point. A range of different groups suffer from mental health problems, both inside and outside the armed forces. There are those who come into the armed forces with a problem—either a mental health problem or a substance-abuse problem—those who develop one during their time in the armed forces and those who subsequently develop one. In a civilised society, it is very important that we ensure that all three groups are properly looked after. I would go so far as to say that it is the measure of how civilised a society we are that we look after the most vulnerable, and those with mental health problems must be in that group.

Richard Ottaway: Will the Secretary of State take this opportunity to pay tribute to service charities such as Combat Stress? It can take quite some time before mental health problems become apparent. It is important to support our veterans in the long term and not just in the short term or in the immediate aftermath of their retirement from the service.

Dr Fox: My hon. Friend makes an excellent point. Recent evidence suggests that post-traumatic stress disorder is likely to present at a peak at about three years, but may take as long as 14 years to present. It is therefore important that we recognise and see through our through-life responsibility to our armed forces. It cannot be right that our duty of care ends at the point of discharge from the armed forces themselves.

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): Has the Secretary of State considered the impact on former serving personnel of the proposals by the Government to remove the mobility component of the disability living allowance benefit for those residing in residential care accommodation, which includes, of course, many ex-service personnel?

Dr Fox: On all the issues affecting the changes set out to welfare, there have been considerable cross-governmental discussions. I shall continue to have discussions with my colleagues because it is right, as I said, that we look after not only those who are serving but those who have served in a way that is indicative of the services that they have already given to this country.

Gemma Doyle (West Dunbartonshire) (Lab/Co-op): The Government are reviewing tour lengths and the interval between tours. At the same time, they intend significantly to reduce the size of the deployable force. This means that operational commitments will increasingly fall on the same individuals with greater frequency. Does the Secretary of State share my concern that that will have serious consequences for the mental health and well-being of our troops?

Dr Fox: Leaving aside the assumptions in the hon. Lady's question, which are an argument in themselves, her key point is whether the incidence of post-traumatic stress disorder is related to tour length or tour frequency,

or a combination of the two. Evidence increasingly tends to suggest that the key element is the length of the tour rather than the frequency, and that, of course, will instruct the Government's thinking.

Sir Menzies Campbell (North East Fife) (LD): Does the Secretary of State accept that mental health issues sometimes come to light only as a result of self-referral and that the culture of all three services is against such self-referral? Is one way of dealing with that to ensure that, during training, people—and not just those who will be in the chain of command—accept and understand the possibility of mental health issues arising, and that they are willing to recognise that and, if necessary, to take steps to deal with it?

Dr Fox: That is true for not only the armed forces but society in general. Only when we, as a society, remove some of the taboo of mental illness will we properly unlock the ability to deal with it successfully. My right hon. and learned Friend is correct that we need to look at people's willingness to self refer, and that process is made easier if they can contact a helpline run by members or ex-members of the armed forces, in whom they are likely to be able to place greater faith.

Mrs Madeleine Moon (Bridgend) (Lab): The King's college review of mental health services for the military says that one way in which the mental health of those serving in theatre can be impacted is if they feel that their families are not being supported. Given the review of allowances that has taken place, how will we ensure that our serving personnel are confident that their families have good support and appropriate allowances?

Dr Fox: The hon. Lady is absolutely correct. One thing that I learned during the five years I worked alongside the armed forces and their families as a doctor was that if one wants to create unhappy service personnel, the surest route is to create unhappy service families. We must examine the situation as a whole, and we need to look at all elements of the military covenant—not just the financial elements that she mentions, but service education, access to health care for service families and other welfare issues, including accommodation.

Service Personnel (Germany)

6. **Greg Hands** (Chelsea and Fulham) (Con): What timetable he has set for the return of service personnel garrisoned in Germany; and if he will make a statement. [22166]

The Minister for the Armed Forces (Nick Harvey): As the Prime Minister announced on 19 October in the House, as part of the strategic defence and security review, the Government have decided to accelerate the rebasing of the 20,000 military personnel in Germany with a view to returning half those personnel to the UK by 2015, and the remainder by 2020.

Greg Hands: Will my hon. Friend ensure that whatever decisions are made, we continue to consult our German allies closely while also showing our thanks to the many communities throughout northern Germany that, for 65 years, have welcomed our troops as neighbours, friends and, principally, as defenders?

Nick Harvey: I am happy to give my hon. Friend the assurance that he seeks. I echo his comments about the outstanding support and friendship that the German people have given our forces over many decades. We recognise that the decision has significant implications for them. We will consult closely the German authorities at all levels as our plans develop.

Michael Dugher (Barnsley East) (Lab): In his statement to the House on 19 October, the Prime Minister said that changes in the Ministry of Defence would save £4.7 billion and that that would be

"made easier by the return of the Army from Germany."—[*Official Report*, 19 October 2010; Vol. 516, c. 798.]

However, the Minister stated in a written answer on 27 October that it is

"too early to say what the financial impact will be".—[*Official Report*, 27 October 2010; Vol. 517, c. 369W.]

Given that confusion, will he tell us whether there will be early cash savings or, in fact, significant early costs associated with the move?

Nick Harvey: I welcome the hon. Gentleman to the Dispatch Box in his new role and congratulate him on his appointment. Work is in hand to start on a detailed rebasing plan. He is right to assume that moving troops back from Germany will involve an initial up-front cost, but it is important to stress that big savings will be made in the long term, because there are implicitly high costs involved in maintaining troops in Germany, and the operational rationale for their being there ceased long ago.

HMS Sultan

7. **Caroline Dinenage** (Gosport) (Con): If he will assess the merits of putting to use the spare capacity at HMS Sultan in Gosport as part of his review of the defence training estate. [22168]

The Minister for the Armed Forces (Nick Harvey): Following the announcement on 19 October of the decision to terminate the defence training rationalisation procurement, work has now begun on alternative options for the location or locations of future defence technical training. Changes to technical training and estate requirements arising from the strategic defence and security review will be taken into account and HMS Sultan will be considered as part of that process.

Caroline Dinenage: As the Minister knows, HMS Sultan already provides engineering training not just for the Navy and the Army, but for commercial organisations such as Network Rail. It recently had an excellent Ofsted report, and the good news is that it has spare capacity to do even more. Does the Minister agree, therefore, that in the spirit of good financial common sense, the Department should consider consolidating all existing military engineering training at that excellent site in my Gosport constituency?

Nick Harvey: I am happy to pay tribute to the work that goes on at HMS Sultan and congratulate everybody involved on the excellence of the training that is given. It would not be practical to bring all defence technical training together at that site but, as I stressed in my

earlier answer, we are looking at location or locations, and HMS Sultan will be considered fully as part of that review.

Chief Coroner's Office

8. **Diana Johnson** (Kingston upon Hull North) (Lab): What recent discussions he has had with the Secretary of State for Justice on the likely effects on the conduct of military inquests of the proposed closure of the chief coroner's office. [22169]

The Minister for the Armed Forces (Nick Harvey): Ministers have consulted on this matter, and my officials have been extensively involved in discussions with the Ministry of Justice about the abolition of the chief coroner post. In the current challenging financial climate, the Government have to consider all expenditure very carefully. We judge that there will be no significant impact on the conduct of inquests into the deaths of members of the armed forces.

Diana Johnson: The British Legion's recent poll showed that a large majority of the British public back retaining a chief coroner to ensure that bereaved families have the support and reassurance that they need at inquests. Will the Minister look again at that, in order to provide support for those bereaved families?

Nick Harvey: We are firmly committed to ensuring that families have all the support they need at inquests, but we do not believe that the creation of the post of chief coroner is an essential prerequisite to achieving that. We will continue to give every possible help we can to families involved in such inquests, and we will maintain close contact with the British Legion as we discuss those matters.

Patrick Mercer (Newark) (Con): The Minister will be aware of a small but important number of British military fatalities that have been caused in joint operations with US forces. In their inquests, the US forces have completely different sets of rules, and it is sometimes very difficult to find out the truth or the details of those deaths. The coroner's office has been extraordinarily useful and helpful in these matters. Can the Minister assure me that there will be no further delay once the post is abolished?

Nick Harvey: The various functions will continue to be exercised by the Attorney-General or by the Ministry of Justice. I will give my hon. Friend an undertaking to keep a close eye on that aspect and ensure that there are no delays as a consequence of the decision.

Mr Kevan Jones (North Durham) (Lab): My hon. Friend the Member for Kingston upon Hull North (Diana Johnson) raises the support that the British Legion gave to the appointment of a chief coroner. I know from my time as a Minister in the Ministry of Defence that that was supported by a range of service charities and by the families federations. If we are not to have a chief coroner, can the Minister explain how we will get consistency across the country in inquests into military deaths?

Nick Harvey: The Lord Chancellor will take a proactive approach to ensuring that coroners conduct their investigations to national standards, including a best practice approach to conducting military inquests and monitoring cases that take more than 12 months to complete. A new complaints system will be considered as part of the work that the Ministry of Justice intends to take forward on a charter for bereaved people.

National Defence Medal

9. **Lorely Burt** (Solihull) (LD): If he will bring forward proposals for a national defence medal to recognise non-operational military service. [22170]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): The Government hold the professionalism, courage and contribution of all those who serve or who have served in the armed forces in high regard. I understand that some people believe that their service, and the service of all personnel, should warrant a medal. The coalition Government are committed to reviewing the rules governing the award of medals. However, at present, there are no plans to recommend to Her Majesty the introduction of a national defence medal.

Lorely Burt: I very much welcome the review. We are just a few days away from Remembrance day, and since 1919 we have been remembering the sacrifice of our armed services. Today, however, we have much improved media and greater transparency, and we understand more the mental, emotional and physical sacrifice that all our armed services personnel make. Is now not the time to include a national defence medal in that review?

Mr Robathan: We are going to have that review, and may I recommend to the hon. Lady that she puts forward her views at that time? Indeed, I know that they represent her party's policy, which it adopted at a recent conference. Medals are awarded for campaign service because they recognise the risk and rigour of deployment, which is considered to be more extreme than when, I am afraid, people are in a barracks or at home on a base.

Mr Denis MacShane (Rotherham) (Lab): May I urge the Minister to err on the side of generosity? The previous Government could not take on the review committees of retired colonels and General Blimps, who refused to order even a Bomber Command campaign medal. People like to wear medals and are very proud of the Army now, and they also serve who serve in this country. I hope that the Minister will not shove the idea out to a review. He should come back and accept the hon. Lady's suggestion.

Mr Robathan: As I have said, we are not shoving the idea out but having a review. Some who have served would like to see a national defence medal, but my experience is that probably the majority of those who have been in the armed forces and then left accept the decisions that were made when they were serving and do not wish to revisit history in that way.

Former Service Personnel (Support)

10. **Henry Smith** (Crawley) (Con): What support his Department provides to those who have served in or are about to leave the armed forces. [22171]

15. **Rehman Chishti** (Gillingham and Rainham) (Con): What support his Department provides to former armed forces personnel who have served in Afghanistan. [22176]

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): Regardless of where, or for how long, a member of the armed forces has served, all are entitled to receive some form of resettlement support. That ranges from housing advice through to vocational training. In addition, employment consultancy support is available through the career transition partnership for up to two years after leaving, as well as lifetime job-finding support. Those who are medically discharged will receive the full resettlement package.

Henry Smith: I am very grateful to my hon. Friend for that answer. My local authority, Crawley borough council, is interested in investigating ways in which people who have left the services and are returning to their home town will not be disadvantaged by going on to the social housing list. Can he assure me that the Defence Secretary and my right hon. Friend the Secretary of State for Communities and Local Government will work together to ensure that military personnel leaving the forces are not disadvantaged on the housing list?

Mr Robathan: I am delighted that my hon. Friend's local authority is taking that action. All service personnel are entitled to briefings on their housing options, and some 50 briefings a year take place nationwide and, indeed, abroad. Advice includes obtaining property through a local authority, private renting or owning, and service leavers retain their key worker status for up to one year after having left. My hon. Friend will know that at the moment we are in very close discussions about the military covenant and how we can ensure that no one who leaves the services is disadvantaged when they return to their home area.

Rehman Chishti: I pay tribute to the Royal Engineers, who have two regiments serving in Afghanistan. What steps are being taken to ensure that veterans are given support in the transition back to civilian life?

Mr Robathan: I echo my hon. Friend's tribute to the Royal Engineers. Veterans receive a great deal of support in resettlement. Everybody trying to return to civilian life from the services now receives support, and—*[Interruption.]* I wish the hon. Member for North Durham (Mr Jones) would not interrupt me. I was just going to say that a lot of that was put in place under the previous Administration. I accept that absolutely and pay tribute to them.

However, there are resettlement courses. Everybody now receives them, and as they move on to seek employment, organisations such as the Regular Forces Employment Association help those who have left.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Will the Minister update the House on what progress he has made in working with the national health service to ensure that those who have left the armed forces continue to receive priority treatment?

Mr Robathan: We are looking at how the Ministry of Defence and the service charities, and everybody else, interrelate in the military covenant. The local authorities to which I referred interrelate, and certainly the NHS does. There have been frankly regrettable incidents in which people have been unable, for instance, to get dental services or to get on to an NHS doctors list. We are looking at improving that situation. Again, I hate to say this, but the previous Administration did some good work on this as well.

Compulsory Redundancies

11. **Nic Dakin** (Scunthorpe) (Lab): What recent discussions he has had on compulsory redundancies from the armed forces as a result of the outcomes of the strategic defence and security review. [22172]

The Secretary of State for Defence (Dr Liam Fox): I am in regular discussions with the chiefs of staff, and decisions on those selected for redundancy will be made by the individual services. A comprehensive implementation programme is being developed, and details will be promulgated by each of the three services in the coming months. We will ensure that those who leave are treated fairly and properly.

Nic Dakin: I thank the Secretary of State for his answer. He will agree, I am sure, that it is essential that the 25,000 civilian redundancies from the MOD announced in the strategic defence and security review do not result in service personnel being drafted in to fill the resultant gaps in capacity. Can he detail from which units within the MOD the redundancies will be made and outline any plans to supplement the lost capacity within the MOD?

Dr Fox: As I have just said, it is for the service chiefs to set out over the coming months exactly which redundancies they think will be necessary. I am sorry that I cannot be more specific at this time in relation to the services or to the civil service, as we will seek to use natural wastage and careful management of recruits in the armed forces to minimise the number of redundancies required.

Bob Russell (Colchester) (LD): Will the Secretary of State give a guarantee that no soldier from 16 Air Assault Brigade currently serving in Afghanistan will be made redundant?

Dr Fox: We need to maintain the Afghanistan rotation. It is therefore in the interests of common sense and fair play that no personnel serving in Afghanistan, or on notice to deploy, will be given compulsory redundancy.

Mr Jim Murphy (East Renfrewshire) (Lab): The Secretary of State will know that this weekend thousands of people marched in Lossiemouth against the proposed closure of the RAF base there. That base accounts for about 10% of jobs in the area. Some will argue that the

proposed closure saves the MOD money, but in truth other parts of government will have to pick up the costs of increased unemployment and the failure of small businesses. May I therefore urge him to pause and think again about the devastating wider impacts that this proposed closure would have?

Dr Fox: First, may I welcome the shadow Secretary of State and his entire team to Question Time for the first time?

Let me say at the outset that neither party in the coalition wanted to see redundancies in the armed forces, and we would not be making such redundancies had we not been handed an utterly poisonous economic legacy by Labour and, indeed, a Ministry of Defence budget that was massively overheated and incompetently run. Having said that, we are very well aware of the various consequences—social, economic and regional—of the whole question of basing. I give the right hon. Gentleman my absolute assurance that we will consider all those elements when we look at the future of Lossiemouth.

Mr Murphy: Returning to the issue raised by the hon. Member for Colchester (Bob Russell), we are all rightly in awe of the men and women of our armed forces, and I welcome the commitment that the Government have given to continuing to protect the front line in Afghanistan. However, the Government have announced redundancies of 7,000 in the Army, 5,000 in the Navy and 5,000 in the RAF—17,000 in total. Will the Secretary of State therefore guarantee that no one who has served in Afghanistan will face compulsory redundancy?

Dr Fox: It would not be possible for the Government to say that no one who had ever served in Afghanistan in any way, shape or form since 2001 would not be made redundant. I reiterate what I have said: that because we need to maintain the Afghan rotation, no one currently serving in Afghanistan, or on notice to deploy, will face compulsory redundancy.

Defence Research and Technology

12. **Andrew Bridgen** (North West Leicestershire) (Con): What plans his Department has to increase the effectiveness of its defence research and technology programmes. [22173]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): We are publishing a Green Paper before the House rises for the Christmas recess that will set out our intended approach to industrial policy and the closely related issues of research and technology. The result will be published in a White Paper next spring that will formalise our approach for the five years until the next strategic defence and security review

Andrew Bridgen: I thank the Minister. Does he agree that the Ministry of Defence's strategy for investment in research and technology will determine the areas in which indigenous industrial capacity will thrive? Likewise, when the MOD decides not to invest but to buy in from abroad, that capacity will not thrive.

Peter Luff: It is certainly the case that ensuring sovereignty in the use of our armed forces often requires specific industrial capabilities to be maintained in the UK. That often involves research and development. However, I must emphasise that competition in the global market remains our preferred means of acquiring equipment at the best value for money, which means buying off the shelf where possible. I freely acknowledge that the issue is complex, which is exactly why we will consult formally on it in the Green Paper to which I referred.

Kevin Brennan (Cardiff West) (Lab): Could the effectiveness of defence research possibly have been enhanced if we had had a defence training college? The Minister will know of the bitter disappointment in south Wales about the announcement in the comprehensive spending review. What can he tell the House about the potential future of that development?

Peter Luff: The hon. Gentleman is ingenious in his use of his supplementary question. That is not a matter for which I am technically responsible, but I can reassure him that we are still examining carefully the consequences of the decision. That is all I can say at present, I am afraid.

Mr James Arbuthnot (North East Hampshire) (Con): Does my hon. Friend agree that when money is tight, as it quite often seems to be, defence research and technology is an easy target for cuts because the effect is felt some way down the line? We saw that under the last Government. Can we please avoid seeing it under the current Government?

Peter Luff: I could not agree more strongly with my right hon. Friend. The last Government's massive slash-and-burn approach to the science budget was a major scandal and makes our task a great deal more difficult. The SDSR document makes it clear that we are maintaining our essential science and technology investment, and I can tell him that at present, we expect that budget to rise slightly in cash terms over the CSR period. That is not the ideal outcome, but it is a good one and I hope he will welcome it.

RAF Marham

13. **Elizabeth Truss** (South West Norfolk) (Con): What consultation he plans to undertake in determining the future of RAF Marham. [22174]

The Minister for the Armed Forces (Nick Harvey): It will now take some time to work out the implications of the strategic defence and security review for defence basing, as the Secretary of State made clear a few moments ago. The work is now under way, and we will fully consult all the relevant agencies and the local communities that have given so much support to our armed forces over the years.

Elizabeth Truss: Has the Minister made an estimate of the cost of relocating engineering and maintenance facilities from RAF Marham? It is estimated at up to £50 million, and those facilities are a third more effective and efficient than their US counterparts. Will he also take into account the relative rate of unemployment, which is 7.4% in west Norfolk compared with 4.8% in Moray in Scotland?

Nick Harvey: My hon. Friend is referring to the Tornado depth maintenance facility, which includes centralised RAF and industry component repair facilities alongside the aircraft maintenance facility at Marham. It is unlikely that any decisions on Tornado basing will be taken before next spring at the earliest, but all relevant costs, including those arising from any necessary relocations, will be given full consideration prior to any decision being taken.

Queen Elizabeth Class Aircraft Carriers

14. **Esther McVey** (Wirral West) (Con): What timetable has been agreed for the building of the Queen Elizabeth class aircraft carriers. [22175]

The Parliamentary Under-Secretary of State for Defence (Peter Luff): The strategic defence and security review was clear that we plan to deliver the carrier strike capability from around 2020. We are now working to provide the level of detail needed to decide exactly how that intention should be turned into reality. As the planning work is expected to take some months, we are not yet in a position to provide further details.

Esther McVey: On behalf of my constituents and the greater Merseyside area, I congratulate the Minister and his Department on the decision to continue the building of two Queen Elizabeth class carriers. Will he acknowledge with me the benefits for Wirral of the manufacturing continuing at Cammell Laird?

Peter Luff: The decision has not been without its controversy, but I am delighted to pay tribute to the work force at all the yards conducting the work on the carriers, including in my hon. Friend's constituency. I have seen that work at first hand in government, and it is a remarkable tribute to them. Whatever the controversy of the past, I am sure the work force will continue to give the project their very best, as they have up to now.

Thomas Docherty (Dunfermline and West Fife) (Lab): Given that it will be significantly cheaper to build the "cats and traps" into the two aircraft carriers during construction, will the Minister confirm that when working up its plans, the MOD intends to work from the assumption that that is how it will be done?

Peter Luff: The hon. Gentleman is a doughty advocate for his constituents and for this particular project. All that I can tell him at this stage is that work has begun to consider the optimum means of delivering that capability, as a result of our decision to change to the much more capable carrier variant of aircraft. That includes considering the type of system, the cost, the procurement route, the delivery date and whether both ships should be converted. We are at a very early stage, and all I can say to him is that he should carry on pressing.

Military Bases (Scotland)

17. **Mr David Hamilton** (Midlothian) (Lab): What assessment he has made of the likely effects on the future of military bases in Scotland of the redeployment of service personnel stationed in Germany. [22178]

The Secretary of State for Defence (Dr Liam Fox): The strategic defence and security review has set the aim of returning half our personnel from Germany by 2015 and the remainder by 2020. We are now assessing where in the UK those personnel will be located but no decisions have yet been made.

Mr Hamilton: I thank the Secretary of State for that response. Could I suggest to him that, when the troops come back from Germany, and with Scottish regiments currently garrisoned in England, it would make sense to look at Scotland as a garrison base? He knows it makes sense; it is the right thing to do.

Dr Fox: The hon. Gentleman can take that as one of the early submissions in the basing review that is being undertaken. The review will be for the Ministry of Defence to determine what makes the most sense in terms of the structure of our armed forces, in terms of where they are based according to where they need to train and operate from and in terms of ensuring value for money for the British taxpayer.

Angus Robertson (Moray) (SNP): Will the Secretary of State confirm that any takeover of RAF bases by the Army will take a number of years, so we will still see massive economic and social dislocation in Moray? What concrete assistance has the Ministry of Defence already delivered to the Moray taskforce and how much assistance is it planning to deliver in the future?

Dr Fox: The ultimate impact, of course, will depend on the future of Lossiemouth, and no decision has yet been taken. However, I reiterate what I said to the hon. Member for Midlothian (Mr Hamilton): my job as Secretary of State, and the job of Ministers, is to ensure that our basing makes sound military sense. If there are other implications—regional implications or economic and employment implications—that go wider than the Ministry of Defence, that has to be taken into account by Her Majesty's Government as a whole.

Mr James Gray (North Wiltshire) (Con): The Secretary of State and I are both Scots, and of course we would like the troops to return to Scotland, but does he not agree that RAF Lyneham has a stronger case than anywhere in Scotland?

Dr Fox: My hon. Friend can take that as the second submission to the basing review. One of the general points that I would make to him is that when the Army comes back from Germany, as my hon. Friend the Member for Chelsea and Fulham (Greg Hands) mentioned, there will be considerable long-term savings to be made, but we will need to have accommodation, to bear in mind bases that currently have accommodation and to assess what the cost would be of upgrading that accommodation to ensure that those bases could be utilised.

Military Equipment (Exports)

18. **Nadhim Zahawi** (Stratford-on-Avon) (Con): What steps his Department is taking to increase exports of military equipment. [22179]

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth) *rose—*

Hon. Members: Hear, hear.

Mr Howarth: I thank hon. Members for that welcome.

This Government has made defence exports a priority. In the SDSR we said:

"we will...promote defence and security exports for good commercial reasons and where this will build capacity of our partners and allies, increase interoperability, potentially reduce our own defence acquisition costs, and maximise UK industry's comparative advantage in key technologies, skills and know-how, without risking the proliferation of sensitive technologies critical to the UK's military edge."

All Ministers are encouraged to play their part in promoting responsible defence exports and my right hon. Friend the Prime Minister has led the way in that regard.

Nadhim Zahawi: One of the ways to rebalance the economy is to promote exports of important hubs, and defence is an important industrial hub. I am very pleased to hear that the Indian Government are getting close to concluding that the Typhoon is the fighter that they want. Will the Minister say something about that order and how we are promoting further defence exports?

Mr Howarth: We are delighted to read the reports in *The Sunday Telegraph*—they must, therefore, be entirely accurate—that the Indian Government have found that the technical superiority of the Typhoon is overwhelming, and we of course share that view. We are doing all we can in conjunction with our partner nations to secure that order. In this case, the German Government are leading with the Indians, but I am very hopeful that when my right hon. Friend the Secretary of State for Defence visits India, we can further promote the case of the Typhoon.

Topical Questions

T1. [22186] **Stephen Phillips** (Sleaford and North Hykeham) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Defence (Dr Liam Fox): My departmental responsibilities are to ensure that our country is properly defended now and in the future, that our service personnel have the right equipment and training to allow them to succeed in their military tasks and that we honour the military covenant.

Stephen Phillips: My right hon. Friend will be aware of the considerable concern expressed by a number of commentators about the capability that will be lost to the Royal Air Force with the cancellation of the Nimrod MRA4 programme. Will he tell the House what steps will be taken to ensure that that loss of capability does not adversely affect our national security?

The Parliamentary Under-Secretary of State for Defence (Peter Luff): I must honestly say to the House that this was one of the most difficult decisions we were forced to take as a result of the mess in the national finances and the grossly overheated MOD budget that we inherited. Since the withdrawal of the Nimrod MR2 in March, the Ministry of Defence has mitigated the gap in capability through the use of other military assets, including Type 23 frigates, Merlin anti-submarine warfare helicopters and Hercules C-130 aircraft, and by relying, where appropriate, on assistance from allies and partners. That was originally assumed to be a short-term measure. We are now developing a longer-term plan to mitigate the impact of cancellation on our continuing military tasks and capabilities.

Mr Jim Murphy (East Renfrewshire) (Lab): Regardless of what side of the House we are on, we are all very concerned about this weekend's reports of the smuggling of highly enriched uranium in Georgia and other parts of the Soviet Union—*[Interruption.]* I mean the former Soviet Union. We know there is sometimes only one step between organised criminals and global terrorists. In the light of those reports, can the Secretary of State guarantee that any UK-funded projects to combat the proliferation of, or trade in, chemical, biological and nuclear material will have their funding protected through this spending review period?

Dr Fox: I could not be in greater agreement with the right hon. Gentleman. It is easy to forget that there has been a great deal of nuclear material out there. Not only does that still pose a threat to global security, but the development of new nuclear weapons by countries such as North Korea and, soon, Iran, which is attempting a programme, presents us with a massive threat. It is essential that programmes that give this country protection are themselves protected.

T3. [22188] **Sajid Javid** (Bromsgrove) (Con): The Government are right to focus on the cyber-threat facing our nation. Fortunately, in Britain, we have many home-grown technology companies, including in my constituency. Does the Minister agree that, in the interests of our national security and our national economy, we should prioritise the use of these domestic companies to the fullest extent?

Peter Luff: I am delighted to agree with my hon. Friend and parliamentary neighbour. The strategic defence and security review identified cyber-risks as one of the four tier 1 risks to national security, pledged additional funding for investment in this area of capability and said that partnership with industry will be key to ensuring value for money. It is also a theme that we are exploring in the Green Paper on defence industry and technology policy, which has been extended to include security, and I would be delighted to visit the companies in my hon. Friend's constituency of Bromsgrove at some stage in the future, if he would find that helpful.

T2. [22187] **Mrs Linda Riordan** (Halifax) (Lab/Co-op): More than two thirds of defence experts think that the defence review was a lost opportunity. Does that not prove that the review lacks strategy and was rushed to fit the needs of the spending review, rather than the needs of the armed forces?

Dr Fox: The defence review was carried out after the National Security Council decided upon an adaptive posture. However, we inherited budgetary constraints that we would rather not have had, and had the Labour party not left us with a toxic economic legacy as well as an overspent MOD budget, we might take some lessons from Labour Members.

T6. [22191] **Jake Berry** (Rossendale and Darwen) (Con): In the light of the forthcoming NATO summit in Lisbon, can my right hon. Friend update the House on what proposals we will be putting forward to ensure that NATO is modern and fit for purpose?

The Parliamentary Under-Secretary of State for Defence (Mr Gerald Howarth): As my hon. Friend would expect, given that the United Kingdom is being rigorous in making every penny count in our own defence budget, we will ensure that NATO's coat is cut according to its cloth, and we are expecting it to do that. My right hon. Friend the Secretary of State has been at the forefront of the campaign to reduce the number of people in NATO to about 9,000, and we hope very much that we can reduce the number of joint force command headquarters from nine to two, thereby saving money and making NATO more efficient.

T4. [22189] **Hugh Bayley** (York Central) (Lab): This morning, I dedicated a bench in a park to Trooper Ashley Smith of the Royal Dragoon Guards, who died in Afghanistan in June. He was a brave and selfless young man, and a good soldier, and I know that the Secretary of State and his Ministers will join me in offering their condolences to his family. I would like to pass on two things that his family said to me this morning: first, despite their grief, they think about the soldiers still in Afghanistan and want to ensure that they get all the equipment they need, and secondly they support the Government in their strategy to create conditions so that, within the life of this Parliament, our troops can be brought home.

Dr Fox: I am extremely grateful to the hon. Gentleman for the points that he has made, and I am glad to echo the tribute to Trooper Ashley Smith. I am also grateful for the sentiments expressed by his family.

As the whole country heads towards Remembrance Sunday, this is an opportunity to remember that it is not just the sacrifices of the past that we are commemorating, but the sacrifices being made today. It is essential not only that this country supports our troops, but that we support their mission, because that is what they are asking us to do. It is important for the morale of those serving that we do so, but it is also important for the peace of mind of the families who have lost loved ones to know that their sacrifices were not in vain.

T7. [22192] **Mark Menzies** (Fylde) (Con): I would like to thank the Secretary of State for including a UCAV programme—a programme for unmanned combat aerial vehicles—in the SDSR, which is important for jobs in my constituency. Will he say when he will be in a position to give the House more details on the UCAV programme?

Peter Luff: There are two aspects to this. First, there is the future of the fixed-wing sector strategy, which we will be consulting on as part of the Green Paper and White Paper process. There is also the question of UK-French collaboration on unmanned combat aerial systems of the kind that my hon. Friend talks about. The declaration that accompanied the Anglo-French summit last week made it clear that we would establish a joint assessment of

"requirements and options for the next generation,"

which are expected from about 2030 onwards.

T5. [22190] **Rosie Cooper** (West Lancashire) (Lab): Could the Secretary of State share with us his assessment of the impact of service personnel reductions on the UK's military capability?

Dr Fox: We have specifically tasked the armed forces with ensuring that the reductions in military numbers that we have required of them, as a result of the defence review and the budgetary pressures on us, do not impact on Britain's military capabilities.

T8. [22193] **Mary Macleod** (Brentford and Isleworth) (Con): As we approach Armistice day and pay tribute to all those who gave their lives for this country, let me say that I will be attending the opening of the redeveloped Chiswick memorial homes. What message can I give our veterans about what this Government will do for them?

The Parliamentary Under-Secretary of State for Defence (Mr Andrew Robathan): It is indeed Armistice day on Thursday, and the plethora of poppies around this Chamber are not just for window-dressing, but show that people in this Chamber care about Armistice day and the sacrifice that past generations have made. The message that I would give to veterans is that we will certainly look after our ex-service personnel as best we can. We are pledged to reinvigorate the military covenant, and if my hon. Friend watches this space, as it were, she will see that happening pretty soon. Finally, I understand that the Under-Secretary of State, my hon. Friend the Member for Aldershot (Mr Howarth) will be attending the event in Chiswick, and I hope that it goes extremely well.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): What estimates has the Minister made of the total financial cost of military base closures in Germany?

Dr Fox: As I indicated to the House earlier, we are currently looking at the full implications of bringing the Army back from Germany. There will undoubtedly be some up-front costs, depending on the pace of those forces coming back, but there will be considerable savings, to be set out over the longer period. We will set those out when we conclude the basing review in six months.

T9. [22194] **Bob Russell** (Colchester) (LD): I thought that the Minister's response to the question from my hon. Friend the Member for Solihull (Lorely Burt) was lacking in political direction and conviction. Bearing in mind that Her Majesty the Queen, as the Head of State of both Australia and New Zealand, has graciously authorised the award of a national defence medal, can we not have that in the United Kingdom for those who have served?

Mr Robathan: We are certainly never lacking in direction. What I would say is that when the Queen is dealing with matters in New Zealand and Australia, she is the Queen of New Zealand and Australia, and that does not necessarily mean that we will follow exactly what happens in New Zealand and Australia. We are reviewing matters, but as I said before, campaign medals are awarded for the deprivations of campaigns and the extra need to recognise people for their hard work on campaigns. That is not to denigrate service in barracks, but it is a very different thing, if I might say so.

Mr Tom Watson (West Bromwich East) (Lab): The Secretary of State has talked about the difficult decisions that he has to make on cutting civilian and military jobs in his Department. In that light, can he give an assurance to the House that he has no intention of employing a photographer, stylist or personal film-maker?

Dr Fox: No.

T10. [22195] **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): Aid agencies in Afghanistan have expressed concern that offering cash rewards in exchange for information puts Afghans, their families and their communities at risk from anti-Government groups. Can the Minister assure me that this practice is not being followed by British commanders?

The Minister for the Armed Forces (Nick Harvey): In operations in the environment of Afghanistan, our forces must of course work in co-operation with both Afghan authorities and local people to obtain information that is essential to the security of our personnel and others working in the international security assistance force. I am aware that any form of co-operation with ISAF may put people in danger of reprisals, but clearly we rely heavily on such information.

Huw Irranca-Davies (Ogmore) (Lab): During the second world war, many thousands of young women were conscripted into service in royal ordnance factories. There were 45 throughout the United Kingdom, and many in Scotland, the north-east of England and Wales. Will the Secretary of State agree to meet a small delegation of MPs to discuss appropriate recognition of those young women, many of whom lost their lives or suffered grievous injuries when filling explosives?

Dr Fox: I can certainly assure the hon. Gentleman that one of the ministerial team will undertake such a meeting. His point is important. In any conflict in which this country finds itself, it is not only those in the military who make sacrifices, but often those in the civilian population. In Afghanistan today, we are seeing probably the highest level of civilian support for the military that we have ever seen in any conflict. I pay tribute to all those civilians who add to the national security of this country, and to their sacrifices in its name.

Mr David Ruffley (Bury St Edmunds) (Con): I have the privilege of representing RAF Honington, which is home to the RAF Regiment, and Wattisham, which is home to the Army Air Corps. Will my right hon. Friend speak to the Secretary of State for Health to ensure that more mental health provision is directed to areas of this country where the highest proportion of servicemen and women and their families live?

Dr Fox: As part of the comprehensive spending review, we had a financial deal with the NHS to transfer NHS funding to the MOD for precisely that reason. As I told the House earlier, one of the ways that we must measure how civilised and decent a society we are is how we deal with those with mental illness, whether in the armed forces or outside. As a society, we have a lot to do to remove some of the taboos surrounding that, but if we can make a start in the armed forces, that would be great. Indeed, were we to get to the end of this Parliament and those in the NHS were crying out for the same quality of mental health care as those in the armed forces, that would indeed be a triumph.

Jim McGovern (Dundee West) (Lab): Will the Secretary of State tell the House what assessment has been made of the outcome of the strategic defence and security review on companies and organisations that are dependent on MOD contracts? I am thinking of Remploy, but I need not go into the history of its origins. A Remploy factory in my constituency depends almost entirely on MOD contracts, and its employees have made representations to me. What assurances can he give my constituents?

Dr Fox: I am extremely aware of the dependence of a large part of the economy on the MOD's budget. Precisely because we are so aware of that, we will produce a consultation document in the near future, which will look at the supply chain as it relates to the MOD and its budget. The Government's aim is that small and medium-sized enterprises are given every opportunity to help us to shape the regulatory framework and the skills base required so that we can ensure that they are given every possible help to remain in business.

Mark Lancaster (Milton Keynes North) (Con): From 13 December Camelot intends to change its rules, which will prevent many members of our armed forces who are serving overseas from playing the national lottery. It is a simple pleasure, and as they remain UK taxpayers, will the Secretary of State look into the matter and attempt to persuade Camelot to change its mind?

Mr Robathan: This is news to us. I assure my hon. and gallant Friend that I will certainly look into it and let him have a proper answer when I have done so.

Angus Robertson (Moray) (SNP): The Secretary of State will be in Oslo this week for meetings with Nordic Defence Ministers. How will he convince them that he is serious when he has just scrapped the UK's maritime reconnaissance fleet, is thinking of moving the joint combat aircraft away from the north of Scotland, and is considering closing both airbases closest to Norway?

Dr Fox: I shall point out our commitment to the submarine programme and to the aircraft carrier programme, and explain how we intend to ensure that across the range of capabilities the United Kingdom is a sound and secure NATO partner. The purpose of the meeting in Norway is to ensure that we deepen our bilateral relationship with Norway, that we create a NATO entity that Finland and Sweden feel a little more comfortable with, that we give further security to article 5 in the Baltic states by being a nuclear power as part of that grouping, and that as a NATO grouping we are better able to deal with regional disputes with Russia.

Duncan Hames (Chippenham) (LD): The Secretary of State acknowledges that civilian redundancies might impact on personnel in Corsham in my constituency. Given their deep expertise in defence communications

technology, will he consider opportunities for their redeployment as part of the Government's programme for cyber-security?

Dr Fox: We are indeed looking at all opportunities to improve our arrangements for cyber-security. We have for the first time created a cross-departmental cyber-budget, for example. We will be looking inside the Ministry of Defence to see how we can better prepare ourselves not for the threats of the future but for the threats that we already face, given the level of cyber-attacks already occurring in this country and in those of our allies.

Several hon. Members *rose—*

Mr Speaker: Order. As usual at Question Time, demand has exceeded supply, but we must now move on.

Departmental Business Plans

3.35 pm

The Minister of State, Cabinet Office (Mr Oliver Letwin): With permission, Mr Speaker, I wish to make a statement on today's publication of departmental business plans. When we formed the coalition in May, we committed to a programme of fundamental structural reform that would change the nature of government. Of course, I recognise that it was the aim of the Labour Government to improve public services, to get value for money and to deliver their stated aims. The problem lay in the fact that, to achieve those laudable aims, they set up a system of bureaucratic accountability in which almost everything was judged against a set of centrally mandated, politically determined performance targets. They then used a succession of short-lived bureaucratic interventions to try to make people fulfil the targets.

Alas, the evidence of the past 13 years shows that targets and short-term bureaucratic interventions simply do not work. Despite all the new learning strategies in schools, the gap in educational achievement between the richest and the poorest widened; despite all the NHS targets, cancer survival rates in Britain were among the lowest in Europe; despite all the police form-filling and bureaucracy, there were more than 100,000 incidents of antisocial behaviour every day; and, as the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) has famously remarked, the money ran out.

So, we have argued for a power shift that will take power away from Whitehall and put it into the hands of people and communities, rebalancing the relationship between the citizen and the state. We recognise that Britain can make progress only if the Government establish frameworks that help people to come together to make life better. We have also argued for an horizon shift—[Hon. Members: "Hooray!"] Opposition Members will hear a lot of that term over the next four years, so they should get used to it. We have argued for an horizon shift, moving away from short-term bureaucratic interventions towards governing for the long term, establishing the right frameworks of incentives in the public services, sorting out the public finances and investing where it counts to create sustainable economic growth.

The publication of our departmental business plans is a significant part of achieving both that power shift and that horizon shift. In June, the Prime Minister launched a series of draft structural reform plans, in which Whitehall Departments publicly set out their reform priorities and the actions that they will take to achieve them, with a specified timetable. In July, August, September and October, we issued monthly reports on the draft plans, setting out the actions that had been completed or started, and giving explanations of any missed deadlines. Today, taking into account the results of the spending review, we are publishing the final departmental plans, setting out the vision, priorities and structural reforms of each Department.

These plans are a key part of our transparency agenda. They do not set out hopes for what we might achieve by micro-managing all the public services. They set out what we need to do, to manage the Government properly. That is, after all, our business, and we expect to be judged on whether we do it properly. The publication of the plans will bring about a fundamental change in how Departments are held to account for implementing policy commitments, replacing the old top-down systems of targets and central micro-management with democratic accountability. Every month, Departments will publish a simple report on their progress towards meeting their commitments—*[Interruption.]*

Mr Speaker: Order. In a way, it is a good thing that the House is in a jocular mood. I realise that the right hon. Gentleman is no longer a philosophy tutor, but I feel sure that he is accustomed to a slightly more cerebral response and deferential hearing than he is getting.

Mr Letwin: I am grateful, Mr Speaker, for that help, but I have to say that I had not anticipated anything better than I received, because Labour Members presided over a Government who acted like a magazine and we intend to preside over a Government who act like a Government. That is a profound difference and I recognise that it is very uncomfortable for Opposition Members.

Before I go on, I should correct myself as I believe I slipped into referring to 100,000 incidents of antisocial behaviour when I meant 10,000. I apologise to the House. That is an example of transparency and straightforwardness, which I hope will be replicated as we move forward.

In addition, the second part of each business plan explains how Government will give people unprecedented access to the data they need—in a simple, easily accessible form—to scrutinise how we are using taxpayers' money and what progress we are making in improving society through our reforms. These transparency sections of the plans are being published in draft to allow Parliament and the wider public to say whether each Department is publishing the most useful and robust information to help people hold each Department to account.

Select Committees will, of course, play a vital role in the task of holding the Government to account. My Cabinet colleagues are therefore contacting Select Committee Chairmen to inform them of the new processes and to invite them to discuss the business plans in more detail in their Committees.

Once the reforms described in these business plans are fully implemented and the transparency reports are fully in place, we will have a real people power revolution—where people themselves are equipped with the power and information necessary to improve our country and our public services, through the mechanisms of democratic accountability, competition, choice and social action. I commend this statement to the House.

Mr Liam Byrne (Birmingham, Hodge Hill) (Lab): I start by welcoming the new Minister for milestones to the House. I could tell that he was the right Minister for this job when I received his statement three hours before he stood up. I thank him for that and urge the same habit on his hon. and right hon. Friends.

I also welcome the thrust of the Minister's statement. When Labour came to power in 1997, we discovered that the Conservatives had run public services into the ground. Now, thanks to Labour's investment—and, yes, Labour's management—crime is now down 43%, hospitals have the shortest waiting lists on record and our schools

[Mr Liam Byrne]

and teachers are delivering record results for our children aged 11, 16 and 18, with 70,000 a year achieving good results.

The question was always going to be: what was the way forward after Labour's job of repair? I am glad that the Government have seized on some of the principles set out in our White Paper, "Smarter Government", published last year. It was described at the time as

"a radical dispersal of power to patients, parents and citizens".

Today, however, the Minister tells us that his first step is to make departmental plans transparent. May I tell him that the only revolution he has delivered this afternoon is to make bad plans transparently bad plans? There will be no power shift if he is going to destroy the power of NHS patients to be treated within 18 weeks; the power of parents to get one-to-one tuition for their children if they are falling behind at school; the power of citizens to summon police officers to talk about issues of local concern.

I have only one question: if the Minister is serious about improving government—and I believe he is—will he review the ending of basic rights to high-quality public services across this Government? When it comes to public services, the public want guarantees, but all he has offered them this afternoon is an online gamble.

Mr Letwin: First, I should welcome the welcome. As I think the right hon. Gentleman knows, I am one of the longest-term proponents of consensus not only between members of the coalition but across the whole House. If the right hon. Gentleman is in effect saying that the Opposition will now back the general principle of having a clear timetable for actions, input measures, outputs—

Kevin Brennan (Cardiff West) (Lab): Targets?

Mr Letwin: No, not targets.

Kevin Brennan: Milestones?

Mr Letwin: Mr Speaker, perhaps you will forgive me if, to avoid further confusion in the hon. Gentleman's mind, I explain the difference between a target and a milestone. A target is an effort by a Government, of which there were many under the previous Government, to determine what the whole of the public service would achieve through micro-management. Such targets were often not met. What we are talking about are actions that lie under the direct control of Government and which it is absolutely right that we should manage ourselves.

To return to the point I was trying to make, if the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) is welcoming the idea that we should set these things out clearly and he is going to sponsor that as an approach to government, that would be in the interests of the nation, because we could continue that process over many years and that would be a huge advance.

The right hon. Gentleman asked whether we can achieve a power shift if we do not do certain things, and he mentioned citizens talking about policing with police officers.

Mr Byrne: Summoning.

Mr Letwin: Yes, summoning police officers to talk about that. We propose something very different, which goes beyond that. Yes, we will have beat meetings, but we will also allow people to vote for police commissioners so that they actually have accountability. That is what we mean by choice and power, as opposed to the mere window dressing of the ability to talk.

Tony Baldry (Banbury) (Con): May I make a suggestion? My right hon. Friend says in his statement that every month Departments will publish a simple report on the progress they have made towards meeting their commitments. On the day each month when ministerial colleagues from different Departments come to the House to answer oral questions, might they not also make a written statement that all of us can see? I confess that I find it difficult to keep my own website up to date, so watching the websites of 22 Government Departments will be quite challenging. However, we are all focused once a month on each Department's oral questions, and a written statement coinciding with that would be very helpful.

Mr Letwin: As so often, my hon. Friend makes an extremely valuable suggestion, which I shall discuss with my right hon. Friend the Prime Minister and others. I see no reason whatever that we should not be able to do that to assist the House, at the same time as we assist the general public by publishing the information on the website.

Mr Gerry Sutcliffe (Bradford South) (Lab): Will the Minister explain what the process will be when the public disagree with a ministerial decision that changes the business plan? That question comes to mind because of the decision to cut school sports partnerships, which will affect sports provision in schools throughout the country. The public have not had the opportunity to have any say on that.

Mr Letwin: That is a very sensible question, and I am happy to explain that to the hon. Gentleman. The point of laying out these plans is so that people can see what we intend to do. Manifestly, as we move through time, external circumstances may change and decisions may be taken to change this or that—I hope not very much, but that could occur. Where it does, we are forcing ourselves to explain that, because it will become apparent—in the House in written statements, as my hon. Friend the Member for Banbury (Tony Baldry) suggested, and also on the website—that something we said we would do by a certain date we are not doing because we are doing something instead. We will have to explain that, and Select Committees and others will be able to interrogate us on it. That is what I mean by transparency.

Mr Edward Leigh (Gainsborough) (Con): Is not the danger that this "Yes Minister" Sir Humphrey language of horizon shift will disguise the real need for change? We should not just publish more reports that will go straight into the waste paper bin. We should, for instance, give professionals in our schools real power to manage the schools in the way they want, in hiring and firing

staff, setting the curriculum and selecting pupils if they want. That would produce real change, not just more words from Whitehall.

Mr Letwin: I very much agree with my hon. Friend that it is only by making the kinds of changes that he describes that we can really improve public services. That is why I have the good news for him that under the programme laid out in the Department for Education business plan my right hon. Friend the Secretary of State for Education will do exactly what my hon. Friend requests. That is why we have a programme of academies and free schools which gives those kinds of powers locally to the professionals on the ground. By doing that we enable parents and pupils, by choosing the schools of their own desire, to create real competitive pressure for excellence in the system. Combining that with the efforts to create a proper pupil premium means that the least advantaged will be most advantaged in our system, and the combination of those effects will be to give excellence and improvement for all.

Mr Kevin Barron (Rother Valley) (Lab): The Minister says that Departments will publish a simple report on their progress towards meeting their commitments. What will happen if those commitments are often not met?

Mr Letwin: What will happen is a series of things that are inconvenient for the responsible Ministers, rising to something that is rather more than inconvenient. In the first place, a report will be made, which will be available to everybody—no Minister likes to see such a thing appear in public. Secondly, the Minister involved will find himself having a discussion with my right hon. Friend the Chief Secretary and me to explain what has occurred—*[Interruption.]* I do not know whether Labour Members want to know about this, but I am trying to explain it. The second thing that will happen is that the Minister will meet the Chief Secretary and me, and the permanent secretary will have a conversation with the head of the civil service. Finally, if the problem is still not resolved, the Secretary of State in question will have a meeting with the Prime Minister and the Deputy Prime Minister. This is a serious set of incentives; if one thinks about what it was like under the previous Government, or any previous Government, one realises that Ministers do not wish to go through that process and will therefore try to meet their objectives.

Robert Halfon (Harlow) (Con): As a member of the Public Administration Committee I welcome the plans to shift some of this on to Select Committees. Will my right hon. Friend set out how the reports could be judged by those Committees and how their powers could be increased, so as to increase further the power of the legislature over the Executive?

Mr Letwin: My hon. Friend is absolutely right that the Select Committees play a vital role in that respect. This approach puts vastly more power in the hands of the Select Committees, because the biggest obstacle to their power is, of course, lack of information—and this approach opens the whole thing up. This is not just a question of the structural reform plans and the dates, on which of course Committees can interrogate, as they can interrogate explanations when things go wrong; it is also about the details of the input costs—what we are putting in—the things that have been achieved on the ground and the outcomes, by which I mean how good it is for the final customer. That gives a Select Committee the ability to haul the relevant Secretary of State up before it and say, "Look, you said you were going to do this." The Committee could then say: "You did not do it"; "You did it, but at a greater cost than you said"; "You did it at the cost but it did not turn out to produce things"; or "It did produce things but the outcomes were not good enough." That is a very powerful interrogative tool. Hon. Members may ask why we would subject ourselves to this. The answer is because we think that it is how we will produce a better Government.

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): A very strong partnership between central and local government, with targets and with dedicated funding, has brought about a vast reduction in the number of people killed on our roads. Does this statement mean that such a successful partnership, with its targets, will be abandoned?

Mr Letwin: No. As I think the hon. Lady knows, because she has great expertise in this area, one of the decisions that we made centrally during the spending review was to focus a very large part of total capital investment on the roads. That was done to reduce congestion, improve safety and achieve the kind of goals that she was describing. These plans are consistent with the spending review and with that focus on the need to improve our transport systems.

Mr Julian Brazier (Canterbury) (Con): Does my right hon. Friend agree that the only way of achieving a movement of power from the top to the sharp end and a movement of the money from the Government monopoly out to the voluntary sector, which can very often deliver better value, is by very strong and transparent political direction?

Mr Letwin: Yes, my hon. Friend is of course absolutely right. Part of the purpose of these plans is to ensure that we hold ourselves to fulfilling that vision. We recognise that there will be all sorts of pressures on the Government to recentralise, to re-control and to lunge for immediate interventions that will ostensibly achieve a particular result, and we know that we need to be kept to the straight and narrow of the vision of the transfer of power in this country from the centre out to the people.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Does the Minister not agree that today's trumpeting of the transparency agenda will ring hollow in Wales considering the actions of the Department for Culture, Media and Sport on S4C? The decision to fund the channel in future via the BBC was made without informing the S4C authority, the Welsh Government or even the Secretary of State for Wales on the eve of the comprehensive spending review.

Mr Letwin: No, I do not accept that at all. This set of departmental plans will enable people to see on the face of it what we are going to do and when we are going to do it. Of course, there will be times when there are decisions involved in those plans that particular hon. Members do not like and there will be debate. We welcome that, we accept that and we are providing the means for people to have such debates.

Miss Anne McIntosh (Thirsk and Malton) (Con): May I welcome the opportunity for Select Committees to scrutinise the business plans? This year in particular there is a lacuna with the annual departmental reports not being published. What will be the relationship of the business plan to such annual departmental reports in future?

Mr Letwin: These business plans are a vastly superior document to the annual reports. Of course, there will continue to be the publication of the accounts of each Department, but I hope my hon. Friend will forgive me the indelicacy if I say that on some occasions the previous Government's annual reports from particular Departments contained a load of guff. One could not tell what the thing was about. I remember in opposition desperately struggling to find out what particular Departments were doing, and all I could get was a load of jargon. In these reports, one will be able to see the information—we are going to this, we will do it by this time, and this is the effect that we expect it will have. That is a jolly useful thing.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I am afraid that the Minister will have to go back to his drawing board for me. It would appear that he is so close to the ground that his horizon is very short indeed, and he might want to raise the stakes. On the point made by my hon. Friend the Member for Liverpool, Riverside (Mrs Ellman), in local government there is the power to vote people out on close-to-the-ground programmes. What has he put in this plan to give local government real power to deliver, apart from a promised freeze in their council tax?

Mr Letwin: I have such good news for the hon. Gentleman that it might lead to his crossing the Floor. Everything that he could desire is about to come in the localism Bill. We are going to give local government eye-watering increases in power that are stipulated in these proposals and that will be seen when the localism Bill is introduced. I hope that the hon. Gentleman will consistently argue and vote with us as we transfer powers of competence and powers of retention of business rates, as we transfer powers over planning to local neighbourhoods, as we transfer powers to keep council tax and as we transfer a series of additional powers to new mayors. The hon. Gentleman will have a dream day when he comes to grips with the localism Bill.

Mr David Nuttall (Bury North) (Con): In view of the fact that removing old regulations is necessary to boost economic growth, will the Minister confirm that, if a Department introduces a new regulation, it will be required to publish clearly which old regulation has been repealed?

Mr Letwin: My hon. Friend can also have an early Christmas. We have instituted from 1 October the one in, one out rule. I should explain that it is more powerful than the rule that a regulation should be eliminated when a new one is introduced—it is that a regulation of equivalent cost to business should be eliminated, or indeed a collection of them with an equivalent cost to business. I want to take this opportunity to tell my hon. Friend and the House that since we introduced the one in, one out rule, the large flow of domestic regulation that was crossing my desk and others before that has somewhat diminished. Since 1 October, there has been one proposal.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): May I add my name to the list of Members who are mesmerised by the use of the language of horizon shifts? On the question of monthly reports, the Government have announced that about 500,000 public servants will lose their jobs under their plans. How many of those jobs will be saved in order to support the initiative that the Minister has announced today?

Mr Letwin: The first thing that I should say is that the Government have not made any such announcement; the Government accept the Office for Budget Responsibility's forecast about the net effect on public sector employment. That does not mean anything like that number of current employees losing their jobs—nothing of the kind. Secondly, of course, had this initiative been introduced now by a Labour Government—to judge by what the right hon. Member for Birmingham, Hodge Hill (Mr Byrne) said it might have been, and that is a delightful prospect—it would have been accompanied by various things. Large numbers of consultants would have been hired to set up complicated websites and there would have been large reviews, huge expenditure and so on—and probably great expenditure on advertising. The total that we have spent on this exercise to date is zero. We have not employed a single consultant, we are constructing the websites ourselves and we are not advertising, because we are a Government and not a magazine.

Julian Smith (Skipton and Ripon) (Con): Let me invoke the spirit of "Dragons' Den" and ask my right hon. Friend which Department has done the best business plan?

Mr Letwin: I value far too highly my relationships with my colleagues to give any answer to my hon. Friend. All the business plans are excellent.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): I welcome greater transparency in government. However, is the Minister aware that no business plan for the Law Officers' Department is available on the transparency website, and that members of the public cannot see details of ministerial and special adviser meetings, hospitality, gifts and foreign travel for the law officers? As shadow Solicitor-General, I should like to hear why the Solicitor-General and Attorney-General appear to be exempt from such requirements?

Mr Letwin: I am grateful to the hon. Lady for her general welcome. I shall ask my right hon. and learned Friend the Attorney-General to look into the declaration, which should apply universally. The reason there is no structural reform plan for the Law Officers' Department is that we do not intend to bring about any structural reforms in the Department, because it is not possible to give its powers to someone else. It is one of the irreducible minima of Government activity, and it will continue with business as usual. These are plans not for business as usual but for fundamental structural reforms. Therefore, the hon. Lady will see no reference to the Law Officers' Department.

Nadhim Zahawi (Stratford-on-Avon) (Con): Does my right hon. Friend the Minister agree that the greatest challenge to the coalition reforms is motivating people to behave in the right way? One of the ways in which we get people to compare and contrast how the coalition is delivering is by having this sort of transparency.

Mr Letwin: I totally agree with my hon. Friend. It is all about people and the choices that they make. The fundamental failing of the method of doing business that prevailed for many years was not that it was ill-intentioned, because it was well intentioned, nor that it lacked energy, because it had a good deal of energy, but that it did not look into the reaction one can get from individuals when one does certain things in relation to them. This whole programme is founded on the presumption that when we trust people and give them power and make them accountable, they do the right thing, and that is what we are trying to do here.

Kevin Brennan (Cardiff West) (Lab): I thank the right hon. Gentleman for his statement, but will he have it translated into plain English and place a copy in the Library of the House? A milestone tells someone how far they have to go to reach a target destination, even if it is on a moveable horizon.

Mr Letwin: The hon. Gentleman's plain English is wonderful to behold. I do not think that anyone has ever accused me of being any good at speaking English *[Laughter.]* I do not intend to try to cure my ways now. I am trying to assist this Government to carry out the most important programme of structural reform that has happened in this country for many years so that they can improve our public services and make life better for our citizens, which matters an awful lot. The point about horizon shift is that it is serious. The previous Government caught themselves repeatedly on the hook of trying to achieve a result on Wednesday that they could show the public by Thursday. Often, the upshot was to achieve nothing whatsoever. We are saying that we will try to achieve things in the long term without trying to achieve publicity goals on the way, which is an important change.

Mary Macleod (Brentford and Isleworth) (Con): Does my right hon. Friend agree that if we want to increase numeracy and literacy standards in our schools and reduce the gap in educational attainment between the rich and poor, we need to reduce bureaucracy, micro-management and targets and increase real local accountability?

Mr Letwin: My hon. Friend is completely right, and that is the plan that is set out here. It applies not just to schools, but to hospitals and many of our other public services. The only way in which we can improve such services is to give the professionals the ability to get on with the job without micro-managing them through bureaucracies, and to hold them to account for the actions that they take and the successes that they achieve.

Tristram Hunt (Stoke-on-Trent Central) (Lab): Will the Minister explain how he squares taking power away from Whitehall and putting it in the hands of peoples and communities with the Government's plan to increase the number of Ministers by 10% relative to the size of the legislature, which is the representative of peoples and communities? Is this not the old Tory centralist state at work?

Mr Letwin: The hon. Gentleman is clearly an apprentice of the hon. Member for West Bromwich East (Mr Watson), because that was the most marvellous manipulation of statistics. We propose to reduce the number of Members of Parliament, but the hon. Member for Stoke-on-Trent Central (Tristram Hunt) describes that as an increase in the proportion of Ministers to the number of Members of Parliament. That is a very strange way of describing the situation. We are keeping the number of Ministers constant in order to ensure that we can impose political will on the machine to get the fundamental reforms that give power out to the people of this country. That goal is far more important than particular numbers of Ministers.

Mr Andrew Love (Edmonton) (Lab/Co-op): Following on from that question, the Minister has said several times this afternoon that he wants to increase power locally, yet the Government have just published a report on waste that implies that if they want to do something serious, they will need to recentralise powers, such as by forcing primary care trusts to act together and forcing local authorities to act together. Is there not a contradiction in those two things?

Mr Letwin: In brief, no: we are not attempting to do what the hon. Gentleman describes. We believe that by placing the power of commissioning in the hands of general practitioners, by giving GPs and patients genuine choice over where patients go, and by making hospitals accountable on those choices by transforming them into foundation trusts, we can achieve the efficiencies that are needed in our health service through the medium of competition, which leads to the excellence that can be generated when professionals are able to run their own show. We are moving in exactly the opposite direction from that which the hon. Gentleman describes.

Paul Flynn (Newport West) (Lab): As the only time in nature when horizons actually shift is when a tsunami is on the way, can the House and the country expect to be inundated—the Minister gave an example today—with more bureaucracy, more gobbledegook and more management-speak?

Mr Letwin: I respect the hon. Gentleman for his long work in areas such as drugs, but if he reads the plans he will find that they include serious efforts to change things for the better, such as through a payment by results-based drugs rehabilitation programme, for which, I think, he has long argued. That is not gobbledegook, bureaucracy or micro-management. It says to providers, "You know how to provide and we will pay you if you get people off drugs and back into the mainstream," and nothing could be more important to the people of our country than that.

Mr Tom Watson (West Bromwich East) (Lab): I think I understand what the Minister has announced: a series of tough, demanding and transparent moving-horizon, non-target, milestone reports. If he has, I fully support him, but to build on the point made by the hon. Member for Banbury (Tony Baldry), may I point out that publishing those reports on 22 websites will make

[Mr Tom Watson]

things almost incomprehensible to citizens who wish to hold the Government to account? It would be better to place them in a single spot—perhaps directgov, the Cabinet Office website or data.gov.uk. Will the Minister also consider placing ministerial diaries and details on special advisers' hospitality in a single place on the same site?

Mr Letwin: I am grateful to the hon. Gentleman for his brilliant translation. Incidentally, I have no doubt that he understood everything that I said because he understands everything that anyone says—he is very clever. Unfortunately, he is not very well informed because, as a matter of fact, we will enable people to go to a single place to get hold of all this stuff. Moreover, it will be put in a format that will enable people to mash it up and easily produce their own charts, and their own comparisons and analyses of everything that we issue. I anticipate that we will make more things transparent, including contracts for Government Departments right across the board, as well as all expenditure down to £25,000—and in local authorities down to £500 per item.

Points of Order

4.9 pm

Hilary Benn (Leeds Central) (Lab): On a point of order, Mr Speaker. Following your reporting earlier of the certificate issued by the election court in the case involving the Oldham East and Saddleworth constituency, as the case raises important questions it would be sensible for the House to pause before considering a by-election writ, for two reasons.

First, the matter is the subject of continuing legal proceedings by Mr Woolas, as you reported to the House at 2.30, and it seems only proper that the proceedings are allowed to conclude. Secondly—without wishing to stray at all into the details of the case, which we should not do because, as you have ruled, it is sub judice under the terms of the resolution passed by the House in 2001—if the judgment were to be overturned and the former Member were reinstated, but in the meantime we had held a by-election and another Member had been elected, we could end up with two Members of Parliament for one constituency, and that would hardly be desirable.

It seems to me that the prudent and practical course of action is to allow the legal process to be concluded before the House considers the writ.

Mr Speaker: I am grateful to the right hon. Gentleman. He has made his points with great clarity.

The Leader of the House of Commons (Sir George Young): Further to that point of order, Mr Speaker, and further to the statement that you made at 2.35, we on the Government Benches are content with the sequence of events that you outlined.

Mr Speaker: I am grateful to the Leader of the House for what he said.

Mr Edward Leigh (Gainsborough) (Con): Further to that—

Mr Speaker: In a moment. Patience is a great virtue. I could not possibly miss the hon. Gentleman.

Mr Alistair Carmichael (Orkney and Shetland) (LD): Further to that point of order, Mr Speaker. The House will have noted your most helpful statement concerning the finding of the court that the election result in Oldham East and Saddleworth was void. Will you confirm, for the benefit of the House, that that means that there is currently no Member elected here to serve the people of Oldham East and Saddleworth? What assurance can you give the House and the people of that constituency that they will not be denied indefinitely, by untested legal proceedings, the representation to which they are entitled?

Mr Speaker: The hon. Gentleman, for whose point of order I am grateful, essentially raises two points. The answer to his first point is yes, as indicated in my statement when I referred to the need for Mr Woolas to vacate his seat from the date of the report, 5 November 2010. The answer to his second point is that of course I attach a premium, as I am sure the House as a whole will attach a premium, to a speedy resolution of the

matter in the interests of Parliament, in the interests of Oldham East and Saddleworth constituency electorate, and in the interests of the country.

It is precisely because I attach such a premium that I thought it would help the House if I caused inquiries to be made of the administrative court as to the urgency with which a judicial review application would be treated. Therefore, I reiterate both for the benefit of the hon. Gentleman and for all Members of the House that I did, indeed, cause such inquiries to be made, and I was advised that the administrative court judge has ordered an expedited hearing of the renewed application. He has done so precisely because he, too, considers it essential that the electorate of Oldham East and Saddleworth should know who is their Member of Parliament as soon as possible. I hope that is helpful to all with an interest in the matter.

Mr Leigh: Further to that point of order, Mr Speaker, and on a more general point, without in any way attempting—because you would rule me out of order if I did attempt—to get into the rights or wrongs of the case, massive constitutional issues are raised by it, which the House should debate. This is the first time in 99 years that a Member has been evicted. It is for the people, not the judges, to evict Members of Parliament.

My worry is that if the judgment is allowed to stand, robust debate during elections will become virtually impossible. People will be terrified of attacking their opponents. For instance, what happens if a minor candidate for the BNP attacks a major party candidate? The latter would be frightened of attacking the former back because he might be disqualified. These are enormous constitutional issues, which we should discuss in the House.

Mr Speaker: I am grateful to the hon. Gentleman. I note his point. Tomorrow he will have served 27 years and five months in the House. Throughout that time he has expressed himself with great force and conviction, and today is no exception. We are grateful to him.

Mr David Winnick (Walsall North) (Lab): Further to that point of order, Mr Speaker. I am sorry that I did not catch your opening statement, but I have caught up with it since entering the Chamber. I in no way want to mention the details of the case, or defend or otherwise what is alleged, but, as you will no doubt know, the House has always been extremely reluctant to expel anyone. I know that this is not an expulsion made by a decision of this House, but the House has refused to expel Members over the years on the basis that this is not a club, despite what some people might say, and that if someone is elected it should be for the electorate to decide.

There is therefore bound to be concern about whether a court—judges—should decide, and not the electorate. From the moment I heard of the decision, I felt some concern and anxiety that the decision about whether the electorate wanted that particular Member to serve had been taken out of their hands and given to the judges. Therefore, as the hon. Member for Gainsborough (Mr Leigh) said, the question does arise about whether in future circumstances an unsuccessful candidate will use any means to say in effect that what happened during the election was unfair, and to take the issue to the judges.

Mr Speaker: In so far as the latter part of the hon. Gentleman's point of order appeared to be a question, I hope that he will understand if I say that I will treat it as a rhetorical question. He has essentially raised a point very similar to that of the hon. Member for Gainsborough (Mr Leigh), and done so in earnest. That is respected, but I do not think that I need to respond to it. It is on the record, and that is important.

Ian Murray (Edinburgh South) (Lab): On a point of order, Mr Speaker. The House will be aware that at the tail end of last week the Business Secretary referred the potential takeover of BSkyB to Ofcom. The reason most Members will be aware of that decision is that it was released to the media. Is it in order for that decision, although very welcome, not to be announced on the Floor of this House?

Mr Speaker: No breach of order has occurred is the straight answer to the hon. Gentleman, to whom I am nevertheless grateful for giving me notice of his point of order. He has put his point on the record. The Procedure Committee is examining the general issue of ministerial statements to the House, and I suggest that he write to the Committee with this example as evidence. He will also know that oral questions to the Department will be answered on Thursday week.

BUSINESS OF THE HOUSE

Ordered,

That, notwithstanding the practice of the House as to the intervals between stages of Bills brought in upon Ways and Means Resolutions, more than one stage of the Finance (No. 2) Bill may be taken at any sitting of the House.—*(Mr Heath.)*

Finance (No.2) Bill

Consideration of Bill, as amended in the Public Bill Committee

New Clause 1

VIDEO GAME PRODUCTION

'Schedule [*Video Game Production*] contains provision about tax relief for the production of video games.'.—*(Mr Hanson.)*

Brought up, and read the First time.

4.18 pm

Mr David Hanson (Delyn) (Lab): I beg to move, That the clause be read a Second time.

Mr Speaker: With this it will be convenient to discuss New schedule 2—*Video Game Production*—

1 After section 1216 of CTA 2009, insert—

PART 15A

VIDEO GAME PRODUCTION

CHAPTER 1

INTRODUCTION

Introductory

1216A Overview of Part

'(1) This Part is about video game production.

(2) Sections 1216B to 1216G contain definitions and other provisions about interpretation that apply for the purposes of this Part. See, in particular, section 1216C which explains how a company comes to be treated as the video game production company in relation to a video game.

(3) Chapter 2 is about the taxation of the activities of a video game production company and includes—

(a) provision for the company's activities in relation to its video game to be treated as a separate trade, and

(b) provision about the calculation of the profits and losses of that trade.

(4) Chapter 3 is about relief (called "video game tax relief") which can be given to a video game production company by way of additional deductions to be made in calculating the profits or losses of the company's separate trade.

(5) Chapter 4 is about the relief which can be given for losses made by a video game production company in its separate trade including provision for certain such losses to be transferred to other separate trades.

(6) Chapter 5 provides—

(a) for relief under Chapters 3 and 4 to be given on a provisional basis, and

(b) for such relief to be withdrawn if it turns out that conditions that must be met for such relief to be given are not actually met.

Interpretation

1216B "Video Game" etc

'(1) This section applies for the purposes of this Part.

(2) "Video Game" includes a game played by electronically manipulating images produced by a computer program on a display screen.

(3) A video game is completed when it is first in a form in which it can reasonably be regarded as ready for copies of it to be distributed to the general public.

1216C "Video game production company"

'(1) For the purposes of this Part "video game production company" is to be read in accordance with this section.

(2) There cannot be more than one video game production company in relation to a video game.

(3) A company that (otherwise than in partnership)—

(a) is responsible—

(i) for design, programming and production of the video game, and

(ii) for delivery of the completed video game,

(b) is actively engaged in production planning and decision-making during design and programming, and

(c) directly negotiates, contracts and pays for rights, goods and services in relation to the video game,

is the video game production company in relation to the video game.

(4) If there is more than one company meeting the description in subsection (3), the company that is most directly engaged in the activities referred to in that subsection is the video game production company in relation to the video game.

(5) If there is no company meeting the description in subsection (3), there is no video game production company in relation to the video game.

(6) A company may elect to be regarded as a company which does not meet the description in subsection (3).

(7) The election—

(a) must be made by the company by being included in its company tax return for an accounting period (and may be included in the return originally made or by amendment), and

(b) may be withdrawn by the company only by amending its company tax return for that accounting period.

(8) The election has effect in relation to video games which commence design in that or any subsequent accounting period.

1216D "Video game-making activities" etc

'(1) In this Part "video game-making activities", in relation to a video game, means the activities involved in design, programming and production of the video game.

(2) The Treasury may make regulations to—

(a) amend subsection (1),

(b) provide that specified activities are or are not to be regarded as video game-making activities or as video game-making activities of a particular description, and

(c) provide that, in relation to a specified description of video game, references to video game-making activities of a particular description are to be read as references to such activities as may be specified.

"Specified" means specified in the regulations.

1216E "Production expenditure", "core expenditure" and "limited-budget video game"

'(1) In this Part, in relation to a video game— "production expenditure" means expenditure on video game-making activities in connection with the video game, and "core expenditure" means the total costs that relate specifically to the producing and developing of the video game up to the point of commercial release.

(2) For the purposes of this Part a "limited-budget video game" is a video game whose core expenditure is £3 million or less.

(3) In determining if a video game is a limited-budget video game, any core expenditure that—

(a) is incurred by a person under or as a result of a transaction entered into directly or indirectly between that person and a connected person, and

(b) might have been expected to have been of a greater amount ("the arm's length amount") if the transaction had been between independent persons dealing at arm's length, is treated as having been of an amount equal to the arm's length amount.

1216F "UK expenditure" etc

'(1) In this Part "UK expenditure", in relation to a video game, means expenditure on goods or services that are used or consumed in the United Kingdom.

(2) Any apportionment of expenditure as between UK expenditure and non-UK expenditure for the purposes of this Part is to be made on a just and reasonable basis.

(3) The Treasury may by regulations amend subsection (1).

1216G "Company tax return"

In this Part "company tax return" has the same meaning as in Schedule 18 to FA 1998 (see paragraph 3(1)).

CHAPTER 2

TAXATION OF ACTIVITIES OF VIDEO GAME PRODUCTION COMPANY

Separate video game trade

1216H Activities of video game production company treated as a separate trade

'(1) This Chapter applies for corporation tax purposes to a company that is the video game production company in relation to a video game.

(2) The company's activities in relation to the video game are treated as a trade separate from any other activities of the company (including any activities in relation to any other video game).

(3) In this Chapter the separate trade is called "the separate video game trade".

(4) The company is treated as beginning to carry on the separate video game trade—

(a) when design begins, or

(b) if earlier, when any income from the video game is received by the company.

1216I Calculation of profits or losses of separate video game trade

'(1) This section applies for the purpose of calculating the profits or losses of the separate video game trade.

(2) For the first period of account the following are brought into account—

(a) as a debit, the costs of the video game incurred (and represented in work done) to date, and

(b) as a credit, the proportion of the estimated total income from the video game treated as earned at the end of that period.

(3) For subsequent periods of account the following are brought into account—

(a) as a debit, the difference between the amount of the costs of the video game incurred (and represented in work done) to date and the corresponding amount for the previous period, and

(b) as a credit, the difference between the proportion of the estimated total income from the video game treated as earned at the end of that period and the corresponding amount for the previous period.

(4) The proportion of the estimated total income treated as earned at the end of a period of account is given by— $C / T \times I$ where— C is the total to date of costs incurred (and represented in work done), T is the estimated total cost of the video game, and I is the estimated total income from the video game.

Supplementary

1216J Income from the video game

'(1) References in this Chapter to income from the video game are to any receipts by the company in connection with the making or exploitation of the video game.

(2) This includes—

(a) receipts from the sale of the video game or rights in it,

(b) royalties or other payments for use of the video game or aspects of it (for example, characters or music),

(c) payments for rights to produce games or other merchandise, and

(d) receipts by the company by way of a profit share agreement.

(3) Receipts that (apart from this subsection) would be regarded as of a capital nature are treated as being of a revenue nature.

1216K Costs of the video game

'(1) References in this Chapter to the costs of the video game are to expenditure incurred by the company on—

(a) video game-making activities in connection with the video game, or

(b) activities with a view to exploiting the video game.

(2) This is subject to any provision of the Corporation Tax Acts prohibiting the making of a deduction, or restricting the extent to which a deduction is allowed, in calculating the profits of a trade.

(3) Expenditure that (apart from this subsection) would be regarded as of a capital nature only because it is incurred on the creation of an asset (the video game) is treated as being of a revenue nature.

1216L When costs are taken to be incurred

'(1) For the purposes of this Chapter costs are incurred when they are represented in the state of completion of the work in progress.

(2) Accordingly—

(a) payments in advance of work to be done are ignored until the work has been carried out, and

(b) deferred payments are recognised to the extent that the work is represented in the state of completion.

(3) The costs incurred on the video game are taken to include an amount that has not been paid only if it is the subject of an unconditional obligation to pay.

(4) If an obligation is linked to income being earned from the video game, no amount is to be brought into account in respect of the costs of the obligation unless an appropriate amount of income is or has been brought into account.

1216M Pre-trading expenditure

'(1) This section applies if, before the company began to carry on the separate video game trade, it incurred expenditure on development of the video game.

(2) The expenditure may be treated as expenditure of the separate video game trade and as if incurred immediately after the company began to carry on that trade.

(3) If expenditure so treated has previously been taken into account for other tax purposes, the company must amend any relevant company tax return accordingly.

(4) Any amendment or assessment necessary to give effect to subsection (3) may be made despite any limitation on the time within which an amendment or assessment may normally be made.

1216N Estimates

Estimates for the purposes of this Chapter must be made as at the balance sheet date for each period of account, on a just and reasonable basis taking into consideration all relevant circumstances.

CHAPTER 3

VIDEO GAME TAX RELIEF

Introductory

1216O Availability and overview of video game tax relief

'(1) This Chapter applies for corporation tax purposes to a company that is the video game production company in relation to a video game.

(2) Relief under this Chapter ("video game tax relief") is available to the company if the conditions specified in the following sections are met in relation to the video game—

(a) section 1216P (intended for commercial release),

(b) section 1216Q (British video game), and

(c) section 1216R (UK expenditure).

(3) Video game tax relief is given by way of additional deductions (see sections 1216S and 1216T).

(4) Section 1216U contains provision about unpaid costs and artificially inflated claims.

(5) In this Chapter "the separate video game trade" means the company's separate trade in relation to the video game (see section 1216H).

(6) See Schedule 18 to FA 1998 (in particular, Part 9D) for information about the procedure for making claims for video game tax relief.

Conditions of relief

1216P Intended commercial release

'(1) The video game must be intended for commercial release.

(2) For this purpose—

(a) "commercial release" means distribution to the paying public, and

(b) a video game is not regarded as intended for commercial release unless it is intended that a significant proportion of the earnings from the video game should be obtained by such distribution.

(3) Whether this condition is met is determined for each accounting period of the company during which video game-making activities are carried on in relation to the video game, in accordance with the following rules.

(4) If at the end of an accounting period the video game is intended for commercial release, the condition is treated as having been met throughout that period (subject to subsection (5)(b)).

(5) If at the end of an accounting period the video game is not intended for commercial release, the condition—

(a) is treated as having been not met throughout that period, and

(b) cannot be met in any subsequent accounting period.

This does not affect any entitlement of the company to relief in an earlier accounting period for which the condition was met.

1216Q British video game

'(1) Subject to subsection (2), a video game is a British video game for the purposes of this Part if it achieves a minimum of 19 points out of a maximum of 37 from the following table, with a minimum of 9 points being obtained in sections A and B:

A	**Cultural Content**	**Number of points**
A1	The video game is based on locations in Europe (including fictionalised versions of locations in Europe) or on peoples of Europe.	From 0 to 4 points
A2	The video game is inspired by or based upon: (i) European underlying material (such as a film, a book or artistic work;or(ii) a sport (or sports) that originated in Europeor(iii) an event (or events) held (or previously held) within Europe;or(iv) any other European subject matter.	From 0 to 4 points
A3	The in-video game dialogue and in-video game text is mainly in the English language.	2 points
B	**Cultural Contribution**	
B1	The video game is an original video game (as opposed to being a sequel to a previous video game).	3 points
B2	The video game is based on or strongly features a narrative (as opposed to being a purely abstract or non-linear video game).	From 0 to 4 points
B3	The video game incorporates any clear technical or creative innovations such as innovations in: (i) gameplay; (ii) graphics; (iii) user interface; (iv) artificial intelligence, audio or physics; or (v) online or multiplayer functionality.	From 0 to 4 points
B4	The video game represents or reflects: (i) diverse European culture;or(ii) European heritage;or(iii) European creativity.	From 0 to 4 points
C	**Cultural Hubs**	
C1	At least 50 per cent. of the production budget in incurred within the UK.	From 0 to 4 points
C2	The in-video game text is translated into at least two other official languages of the EEA.	2 points
D	**Cultural Practitioners**	
D1	Executive Producer.	1 point
D2	Lead Programmer.	1 point
D3	Lead Artist.	1 point
D4	Scriptwriter.	1 point
D5	Lead Designer.	1 point
D6	Lead music and audio composer.	1 point
	Total Achievable Points	37 points

(2) Notwithstanding the above, a video game is not a British Video Game if it is of a pornographic nature or features extreme violence.

1216R UK expenditure

'(1) At least 25 per cent. of the core expenditure on the video game incurred must be UK expenditure.

(2) The Treasury may by regulations amend the percentage specified in subsection (1).

Additional deductions

1216S Additional deduction for qualifying expenditure

'(1) If video game tax relief is available to the company, it may (on making a claim) make an additional deduction in respect of qualifying expenditure on the video game.

(2) The deduction is made in calculating the profit or loss of the separate video game trade.

(3) In this Chapter "qualifying expenditure" means core expenditure on the video game that falls to be taken into account under Chapter 2 in calculating the profit or loss of the separate video game trade for tax purposes.

(4) The Treasury may by regulations—

(a) amend subsection (3), and

(b) provide that expenditure of a specified description is or is not to be regarded as qualifying expenditure.

1216T Amount of additional deduction

'(1) For the first period of account during which the separate video game trade is carried on, the amount of the additional deduction is given by— E x R where— E is—

(a) so much of the qualifying expenditure as is UK expenditure, or

(b) if less, 80 per cent. of the total amount of qualifying expenditure, and

R is the rate of enhancement (see subsection (3)).

(2) For any period of account after the first, the amount of the additional deduction is given by — (E x R) - P where—

E is—

(a) so much of the qualifying expenditure incurred to date as is UK expenditure, or

(b) if less, 80 per cent. of the total amount of qualifying expenditure incurred to date,

R is the rate of enhancement (see subsection (3)), and P is the total amount of the additional deductions given for previous periods.

(3) The rate of enhancement is—

(a) for a limited-budget video game, 100, and

(b) for any other video game, 80 per cent.

(4) The Treasury may by regulations amend the percentage specified in subsection (1) or (2).

Miscellaneous

1216U No account to be taken of amount if unpaid

'(1) In determining for the purposes of this Chapter the amount of costs incurred on a video game at the end of a period of account, ignore any amount that has not been paid 4 months after the end of that period.

(2) This is without prejudice to the operation of section 1216L.

1216V Artificially inflated claims for additional deduction or video game tax credit

'(1) So far as a transaction is attributable to arrangements entered into wholly or mainly for a disqualifying purpose, it is to be ignored in determining for any period any additional deduction which a company may make under this Chapter.

(2) Arrangements are entered into wholly or mainly for a disqualifying purpose if their main object, or one of their main objects, is to enable a company to obtain an additional deduction under this Chapter to which it would not otherwise be entitled or of a greater amount than that to which it would otherwise be entitled.

(3) "Arrangements" includes any scheme, agreements or understanding, whether or not legally enforceable.

CHAPTER 4

VIDEO GAME LOSSES

1216W Application of sections 1216X and 1216Y

'(1) Sections 1216X and 1216Y apply to a company that is the video game production company in relation to a video game.

(2) In those sections— "the completion period" means the accounting period of the company—

(a) in which the video game is completed, or

(b) if the company does not complete the video game, in which it abandons video game-making activities in relation to the video game,

"loss relief" includes any means by which a loss might be used to reduce the amount in respect of which the company, or any other person, is chargeable to tax,

"pre-completion period" means an accounting period of the company before the completion period, and

"the separate video game trade" means the company's separate trade in relation to the video game (see section 1216H).

1216X Restriction on use of losses while video game in production

'(1) This section applies if in a pre-completion period a loss is made in the separate video game trade.

(2) The loss is not available for loss relief except to the extent that it may be carried forward under section 45 of CTA 2010 to be set against profits of the separate video game trade in a subsequent period.

1216Y Use of losses in later periods

'(1) This section applies to the following accounting periods of the company ("relevant later periods")—

(a) the completion period, and

(b) any subsequent accounting period during which the separate video game trade continues.

(2) Subsection (3) applies if a loss made in the separate video game trade is carried forward under section 45 of CTA 2010 from a pre-completion period to a relevant later period.

(3) So much (if any) of the loss as is not attributable to video game tax relief (see subsection (6)) may be treated for the purposes of loss relief as if it were a loss made in the period to which it is carried forward.

(4) Subsection (5) applies if in a relevant later period a loss is made in the separate video game trade.

(5) The amount of the loss that may be—

(a) set against other profits of the same or an earlier period under section 37 of CTA 2010, or

(b) surrendered as group relief under Part 5 of that Act,

is restricted to the amount (if any) that is not attributable to video game tax relief (see subsection (6)).

(6) The amount of a loss in any period that is attributable to video game tax relief is calculated by deducting from the total amount of the loss the amount there would have been if there had been no additional deduction under Chapter 3 in that or any earlier period.

(7) This section does not apply to a loss to the extent that it is carried forward or surrendered under section 1216Z.

1216Z Terminal losses

'(1) This section applies if—

(a) a company ("company A") is the video game production company in relation to a qualifying video game,

(b) company A ceases to carry on its separate trade in relation to that video game ("trade X") (see section 1216H), and

(c) if company A had not ceased to carry on trade X, it could have carried forward an amount under section 45 of CTA 2010 to be set against profits of trade X in a later period ("the terminal loss").

(2) If on cessation of trade X company A—

(a) is the video game production company in relation to another qualifying video game, and

(b) is carrying on its separate trade in relation to that video game ("trade Y"), it may (on making a claim) make an election under subsection (3).

(3) The election is to have the terminal loss (or part of it) treated as if it were a loss brought forward under section 45 of CTA 2010 to be set against the profits of trade Y of the first accounting period beginning after the cessation and so on.

(4) Subsection (5) applies if on cessation of trade X—

(a) there is another company ("company B") that is the video game production company in relation to a qualifying video game,

(b) company B is carrying on its separate trade in relation to that video game ("trade Z"), and

(c) company B is in the same group as company A for the purposes of Part 5 of CTA 2010 (group relief).

(5) Company A may surrender the terminal loss (or a part of it) to company B.

(6) On the making of a claim by company B the amount surrendered is treated as if it were a loss brought forward by company B under section 45 of CTA 2010 to be set against the profits of trade Z of the first accounting period beginning after the cessation and so on.

(7) The Treasury may, in relation to the surrender of a loss under subsection (5) and the resulting claim under subsection (6), make provision by regulations corresponding, subject to such adaptations or other modifications as appear to them to be appropriate, to that made by Part 8 of Schedule 18 to FA 1998 (company tax returns: claims for group relief).

(8) "Qualifying video game" means a video game in relation to which the conditions for video game tax relief are met (see section 1216O(2)).

CHAPTER 5

PROVISIONAL ENTITLEMENT TO RELIEF

1216AA Introduction

'(1) In this Chapter—

"the company" means the video game production company in relation to a video game,

"the completion period" means the accounting period of the company—

(a) in which the video game is completed, or

(b) if the company does not complete the video game, in which it abandons video game-making activities in relation to it,

"interim accounting period" means any earlier accounting period of the company during which video game-making activities are carried on in relation to the video game,

"the separate video game trade" means the company's separate trade in relation to the video game (see section 1216H), and

"special video game relief" means—

(a) video game tax relief, or

(b) relief under section 1216Z (transfer of terminal losses from one qualifying video game to another).

(2) The company's company tax return for the completion period must state that the video game has been completed or that the company has abandoned video game-making activities in relation to it (as the case may be).

1216AB The UK expenditure condition

'(1) The company is not entitled to special video game relief for an interim accounting period unless—

(a) its company tax return for the period states the amount of planned core expenditure on the video game that is UK expenditure, and

(b) that amount is such as to indicate that the condition in section 1216R (the UK expenditure condition) will be met on completion of the video game.

If those requirements are met, the company is provisionally treated in relation to that period as if that condition was met.

(2) If such a statement is made but it subsequently appears that the condition will not be met on completion of the video game, the company—

(a) is not entitled to special video game relief for any period for which its entitlement depended on such a statement, and

(b) must amend accordingly its company tax return for any such period.

(3) When the video game is completed or the company abandons video game-making activities in relation to it (as the case may be), the company's company tax return for the completion period must be accompanied by a final statement of the amount of the core expenditure on the video game that is UK expenditure.

(4) If that statement shows that the condition in section 1216R is not met, the company—

(a) is not entitled to special video game relief for any period, and

(b) must amend accordingly its company tax return for any period for which such relief was claimed.

1216AC Video game tax relief on basis that video game is limited-budget video game

'(1) The company is not entitled to video game tax relief for an interim accounting period on the basis that the video game is a limited-budget video game unless—

(a) its company tax return for the period states the amount of planned core expenditure on the video game, and

(b) that amount is such as to indicate that the condition in section 1216E(2) (definition of "limited-budget video game") will be met on completion of the video game.

In that case, the video game is provisionally treated in relation to that period as if that condition was met.

(2) If it subsequently appears that the condition will not be met on completion of the video game, the company—

(a) is not entitled to video game tax relief for any period on the basis that the video game is a limited-budget video game, and

(b) must amend accordingly its company tax return for any such period for which such relief has been claimed on that basis.

(3) When the video game is completed or the company abandons video game-making activities in relation to it (as the case may be), the company's company tax return for the completion period must be accompanied by a final statement of the core expenditure on the video game.

(4) Subsection (5) applies if that statement shows—

(a) that the video game is not a limited-budget video game, or (as the case may be)

(b) that, having regard to the proportion of work on the video game that was completed, the video game would not have been a limited-budget video game had it been completed.

(5) The company—

(a) is not entitled to video game tax relief for any period on the basis that the video game is a limited-budget video game, and

(b) must amend accordingly its company tax return for any period for which such relief was claimed on that basis.

1216AD Time limit for amendments and assessments

Any amendment or assessment necessary to give effect to the provisions of this Chapter may be made despite any limitation on the time within which an amendment or assessment may normally be made.".

2 In Part 9D of Schedule 18 to the Finance Act 1998, references to film should also include references to video game.'.

Mr Hanson: As the House will be aware, my hon. Friend the Member for Wallasey (Ms Eagle) referred on Second Reading to the fact that we want to bring forward a provision on tax relief in order to help to support the video games industry. Although, undoubtedly, new clause 1 would not do that in every respect, I want to put it before the House, so that we can have an in-principle debate about video game industry tax relief. The new clause provides an opportunity for the House to consider enhanced relief based on UK expenditure on video game production.

The new clause suggests that we might consider qualified tax relief for the video game industry, and that it should be based on strict criteria: the video game must be for commercial release; it must be a British video game, assessed on the basis of a points system; and it must meet a 25% UK expenditure threshold, whereby 25% of the total expenditure on the production and development of the video game is UK expenditure on goods or services. We intended to look at that issue, and I would have tabled a much more detailed new clause, but the advice was that we could not. I hope that I have, however, tabled sufficient proposed changes for the Government to consider bringing back at a future date, or supporting the principle of, tax relief for this vital sector in the United Kingdom.

The video games industry is a real success story for British industry, and we look to support it in detail. As I am sure that the Minister is aware, research from TIGA, which represents the gaming industry, shows that over a five-year period games tax relief could create or save about 3,500 graduate-level jobs, secure £450 million-plus in new and saved development expenditure, and generate about £415 million in new and saved tax relief. I hope that it would do so in a way that ensures that the cost to the Treasury amounts to about £192 million over five years, which would be more than paid for by the jobs and investment, and encouragement to the industry, that that would develop in due course.

My hon. Friends the Members for Dundee West (Jim McGovern), for Liverpool, Wavertree (Luciana Berger) and for West Bromwich East (Mr Watson) have been very vocal in supporting such a tax relief. I hope that the Minister will consider it in principle, so that we can begin to develop a cross-party consensus in due course.

Mr John Redwood (Wokingham) (Con): If it works for this industry, why does it not work for others? Why is the right hon. Gentleman limiting it to this one industry?

Mr Hanson: Our proposal is based on an existing tax relief for the film industry, which has been very successful in helping to generate extra revenue for that industry and keeping production in the United Kingdom. I am sure that the right hon. Gentleman will be interested to know that the Under-Secretary of State for Culture, Olympics, Media and Sport, the hon. Member for Wantage (Mr Vaizey) said this on 13 April—I accept that that was in the middle of an election campaign, so we will take these words as being from that particular time:

"We are committed to a tax break along the lines of the video games tax credit. We have been calling for tax breaks for the video game industry for the last three years."

In the spirit of cross-party co-operation, the hon. Member for Bath (Mr Foster), who then held the esteemed position of Liberal Democrat shadow spokesman for Culture, Media and Sport—the Lib Dem spokesmen are now all subsumed into one entity—said:

"Liberal Democrats support the introduction of a Games Tax Relief. Following consultation on the details, we would implement the Relief as soon as possible."

At that time, my hon. Friend the Member for Wallasey, who is shadow Chief Secretary, the then shadow Culture Minister, who is now a Minister, and the then Liberal Democrat spokesperson supported this proposal, as did I. Since then, however, it has vanished without trace—until today's debate.

The right hon. Member for Wokingham (Mr Redwood) may oppose tax reliefs generally. However, such a relief has been proved to work in the film industry to date. Unfortunately, the Chancellor of the Exchequer said in his Budget:

"we will not go ahead with the poorly targeted tax relief for the video games industry."—[*Official Report*, 22 June 2010; Vol. 175, c. 512.]

I want to test with the Minister whether that is an in-principle opposition to tax relief for the video games industry. If not, is his opposition based on a poorly designed scheme by the previous Labour Government or on poorly targeted suggestions in today's proposals? Is there, in principle, room for discussion, so that it would be possible for him to bring back, at some point, a tax relief that meets the objectives of the hon. Member for Bath, the Under-Secretary and ourselves, and that would, I hope, help to support the video games industry?

Mr Redwood: Just to clarify the point, the right hon. Gentleman should know that I believe that lower tax rates result in more revenue. I am delighted to see that he is now a recruit to that cause, but I suggest that he should not limit it to one industry.

Mr Hanson: We are happy to consider on a case-by-case basis whether tax relief helps to generate employment and earn business and crucially—I think that this is the right hon. Gentleman's point—to maintain that business in the United Kingdom rather than transferring it overseas. The film tax credit has proved that that can be the case, and I suggest in the new clause that we consider it for the video games industry.

Jim McGovern (Dundee West) (Lab): My right hon. Friend mentioned the British film industry. Is he aware that figures provided by TIGA, which represents the computer games industry, suggest that the cost of a tax break for computer games would be £55 million, whereas the film industry already gets a £110 million break, even though the revenue generated by both is much the same?

Mr Hanson: Indeed, and TIGA—my hon. Friend says "tiger"; I say "teega", but we both mean the same thing—has estimated that we can make savings to the Treasury by investing in a tax relief up front and keeping jobs in this country. That is the crucial point.

Stewart Hosie (Dundee East) (SNP) *rose*—

Mr Hanson: I know that the industry is important to Scotland, so following my hon. Friend the Member for Dundee West, I give way to the hon. Member for Dundee East (Stewart Hosie).

Stewart Hosie: The right hon. Gentleman was right to mention the Chancellor's argument that the proposed tax break was poorly targeted, but he will be aware of the evidence given to the Scottish Affairs Committee by Edward Troup of the Revenue. He said:

"I am not sure I would say it was poorly targeted. It was targeted at the video games industry…it was perfectly designable if we had continued with it".

and so on and so forth. Does not that experience from the coal face, from inside the Revenue, directly contradict the argument that the Government used to do away with the plan?

Mr Hanson: The hon. Gentleman has effectively read out the next section of my speech. I have indeed examined what was said in the Scottish Affairs Committee. The Under-Secretary said at the same meeting on 20 October:

"It may be that we can revisit a video games tax break in the future."

Was he speaking for the Department of Culture, Media and Sport or for the Treasury? I presume that the Chancellor was speaking for the Treasury in ruling out the idea, but three months later his Minister in the DCMS said that we should consider it in future.

I do not necessarily wish to press the new clause to a Division, but I have tabled it so that the Exchequer Secretary can clarify whether, in the next 12 months or two years, he can meet the objectives that my hon. Friends the Members for Dundee West, for West Bromwich East and for Liverpool, Wavertree, and the hon. Member for Dundee East, have championed so strongly.

Mr Tom Watson (West Bromwich East) (Lab): The important point about the new clause is the unique position of the video games industry. It has the potential for explosive growth and to create far more high-level, highly paid, highly skilled jobs in the UK. Yet its competitors, with a fiendish interpretation of international competition rules, are picking off the very best designers and developers from UK production shops one by one. The industry worked long and hard with the Treasury to build a robust model for a specific rate to allow the industry to grow over the coming years. That is why hon. Members are so concerned—many jobs are at risk if the new clause is not accepted.

Mr Hanson: My hon. Friend makes the important point that those are high-skilled, highly technical jobs that will bring investment to this country. They are intellectual capacity jobs that are helping to grow the areas of our international markets that we need to grow.

To follow up on what the hon. Member for Dundee East said, Edward Troup, the managing director of budget, tax and welfare at the Treasury, said to the Scottish Affairs Committee:

"There would be issues; there would be boundary issues,"

but crucially, he continued, "but it would work." I am not trying to make political capital out of the matter, but if it is proved that the tax break would work—meaning that it can be applied, can deliver, will keep jobs in this country, will grow business and will help resources be reinvested in the British economy—will the Exchequer Secretary be willing to accept the principle and introduce an appropriate clause in some future Finance Bill?

If it is found that the tax break would work but the Exchequer Secretary will not introduce it, I will have to presume that he is not interested in doing so, rather than that he is concerned about its applicability and workability. If so, he is on an entirely different page from the one that the Under-Secretary was on in April, that the Chancellor was on before the general election and that the hon. Member for Bath, who is part of the coalition, was on at that time.

Charlie Elphicke (Dover) (Con): The right hon. Gentleman makes a perennial point that shadow Ministers make, to which actual Ministers presumably perennially say no. May I point out to him the table in proposed new section 1216Q of the Corporation Tax Act 2009, in new schedule 2? It mentions points being given for at least 50% of a game's production budget being incurred in the UK, and proposed new section 1216R states what the percentage of UK expenditure has to be. Will he confirm that that does not conflict with any European law provision?

4.30 pm

Mr Hanson: I have taken advice in drafting the new clause, and my advice is that it is workable and applicable, although I have had to leave out certain aspects. My purpose is not to force this particular model on the Treasury, but to use the new clause as a debating point, so that the Treasury can respond to the principle and decide whether this is a good proposal that will help matters, bring investment back to the United Kingdom and be supportive. I would, potentially, be happy to withdraw the new clause at the end of the debate, and I am happy to listen to what the Minister says, but I want to get to the nub of the issue.

The Under-Secretary, the hon. Members for Bath and for Dundee East, who speaks for the Scottish National party, my hon. Friend the Member for Dundee West and Labour Front Benchers all think that some form of games tax relief to help maintain the industry in the United Kingdom would be a good thing. All I want today is for the Minister to say, "Yes, I agree with that general principle. Over a period of time, I will look at how we make this proposal workable and how we bring it back in a future Budget or Finance Bill." Indeed, he could say today that he is happy with the proposals and that the Government will look at them again in the near future in whatever format they choose. It is important to get that on the table.

Dr Richard Wilson, TIGA's chief executive, has set out his view that we will potentially lose jobs. He said that

"the UK is losing out on jobs and investment because of the absence of Games Tax Relief.

High-skilled jobs could be created in Manchester and Warrington. Instead they are being created in Montreal."

He says that that is particularly because our

"key competitors, particularly Canada, have tax breaks for games production. The UK does not."

Others who comment on these matters, such as Danny Bilson, THQ's vice-president for core game brands, has said:

"The talent in the UK is extraordinary...We have a studio up in Warrington that's an excellent studio...but I'm sorry, it's...about money at the end of the day."

We need to ensure that we have the support for such things. That is the reality of the market. World-leading publishers recognise that we have an asset, which it has taken years to build up and which is worth hundreds of millions of pounds, but it will go abroad if we do not compete on the same level as our Canadian colleagues. In France, there is a 20% tax reduction for video games, and tax provisions in Canada have driven up staff numbers by 43%, but in the United Kingdom we have seen the head count start to decline over the past few years.

I do not want to go into great detail or to take up the House's time. I simply want to tell the Minister that there is real scope for these proposals. There is scope to develop the UK film tax credit model and to use it for the UK video game tax model. We can ensure that we help to grow the sector, and we can meet the commitments that colleagues made during the general election campaign. I tabled the new clause so that we could hear whether the Minister is still of the view that there is no scope for such proposals or whether he could look at the issue in detail and bring back proposals in due course. I commend the new clause to the House.

Mr Mark Field (Cities of London and Westminster) (Con): The video games industry is very important. Its spiritual home is, in part, in my constituency, in places such so Soho and Covent Garden—

Stephen Pound (Ealing North) (Lab): Hardly spiritual.

Mr Field: They are the spiritual home of so many things, as I am sure the Opposition Whip would agree.

I have spoken on many occasions to leading lights in the video games industry, and they outlined many of the concerns that have been expressed by the hon. Members for Dundee West (Jim McGovern), for Dundee East (Stewart Hosie) and for West Bromwich East (Mr Watson). There is a risk that a significant amount of business is leaving these shores because of a perception, and indeed the reality, that there is unfair tax and regulatory competition from further afield.

One of my concerns, which I expressed before the election to leading lights in the video games industry, is that trying to emulate the film tax credit is not necessarily the right route down which to go. Back-Bench and Front-Bench veterans of Finance Bills going back a decade or more—you are one, Madam Deputy Speaker, from your time as a Minister, as am I from my time in opposition—will know of the concern that the film tax credit has had to be updated almost annually, because of the clear abuses and unintended consequences resulting from it. There was a sense that although the film business in this country benefited from it, there was a significant through-flow of cash that was not in the interests of either the Exchequer or the high-quality products of which our film industry has been rightly proud in decades gone by.

Stewart Hosie: Notwithstanding the hon. Gentleman's points about the film tax credit, I am sure that he will understand the business model around which the video games industry operates. A large amount of cash is spent in the development of games, but revenue drops off in the run-up to a new hardware offering or console being developed. The difficulties that the sector faces are exacerbated by the regular new hardware offerings. Does that not make a stronger case for some sort of assistance?

Mr Field: I accept that. There is also little doubt that we have some tremendously high-quality people working in this business. I must say, in parenthesis, that one difficulty is that hitherto we have had to import far too many such people from beyond these shores. I know that our university media studies industry is much discredited, but those media studies courses that are linked to the video games industry in particular often ensure that we get some of the brightest and best of the home-grown talent in our universities entering the industry.

I take on board the concerns of the right hon. Member for Delyn (Mr Hanson), given that the issue before us has been in the ether for years. I would prefer not to rush into anything, although I hope that my hon. Friend the Minister will take on board the deep concerns expressed today so that we can come back, perhaps during next year's Finance Bill, with a workable model based on the proposals before us.

I would like to put in a word not just for the video games industry, unique though its interests are in the minds of those who run and work in those businesses, but for the animation industry. It is a related industry within the media sphere, and faces many of the problems expressed by the hon. Member for Dundee East and businesses in the industry. The animation industry is deeply concerned that it is losing some of its brightest talent, and feels that—this is felt not just in the animation sector—it is facing unfair competition not only from the Canadian and French models, but from Ireland and, dare I say it, Scotland. It feels that it is losing out to a large degree. I would therefore like to see a clause that brings the video games industry, the animation industry and all these other industries under a single protocol. Such a protocol could operate well and effectively, so I hope that the Treasury will consider one in next year's Finance Bill.

Jim McGovern: The hon. Gentleman has indicated that part of the computer games industry is based in his constituency—in fact, he seemed to indicate that the industry originated there. Does he agree that a change of name or title is required? When people hear "computer games industry", they think of young lads between 15 and 30 sitting in front of a computer screen playing "APB" or "Grand Theft Auto", when in fact, as people who have visited Abertay university in Dundee will have seen, it is used in medical research, construction and architecture. Perhaps we need a change of focus, rather than continuing to call it the "video games industry".

Mr Field: The hon. Gentleman is right to make that important point, although it also raises the question of how we couch such a new clause and schedule in a future Finance Bill to ensure that it takes on board an industry that we want to encourage rather than see go much further afield. I am not a young lad of 15 or 30—or even of 46—so the industry has passed me by, but there is no doubt about the enthusiasm of the companies operating in this sphere. One of my biggest concerns is that all too often those companies have to employ programmers from eastern Europe and other parts of the world in order to get the relevant level of expertise. That is a regrettable state of affairs. None the less it is undoubtedly a thriving and enormous industry, in which we are cheek by jowl with the Japanese in terms of our expertise and export potential.

I implore the Minister to take our concerns seriously. Now would not be the time to accept a proposal such as the one before us, but I hope that he will give sufficient comfort to Opposition Members to ensure that they do not press the matter to a vote. However, the issue is worth discussing at length today.

Sheila Gilmore (Edinburgh East) (Lab): One thing that I have not understood—I have not understood it from either the debates that we had in the Public Bill Committee, on which I served, or the responses to the various parliamentary questions that have been asked about the video games industry and tax relief—is whether the objection is to the detail of previous proposals or this proposal, or whether there is a more fundamental objection about giving such a relief at all. At times, it seems to be suggested that it is not appropriate to give such a relief, but it would be extremely helpful to know which it was.

If the issue is the detail or exactly how the proposal is to be implemented, that could be discussed further. However, targeting such an industry—or indeed any industries—might be felt to be inappropriate. In one answer given in the Chamber last week, the suggestion seemed to be that a lower rate of corporation tax generally would be sufficient, without targeting specific emerging industries. However, a tax relief is important to a growing industry in that it allows it to get off the

[Sheila Gilmore]

ground and develop in the way that it needs to. People have already spoken about the cash-flow difficulties for sectors such as the video games industry, so it would be helpful if the Minister could clarify where the Government are on this issue and what their future plans might be.

Mr Redwood: I am delighted that the Opposition have highlighted the example of the video games industry. However, I fear that it is only one example among many of how we are at risk of losing talent, enterprise, jobs and business development in a number of areas because our rates of taxation are now not internationally competitive. It is interesting that the Opposition, who do not normally favour lower rates, have identified lower rates—or a lower tax imposition—as the answer in this case. I hope that they will think on these things more widely, because the combination of a high marginal rate of income tax and what is now quite a high rate of corporation tax by international standards is not a good combination in an intensely competitive world, where there has been a shock to overall demand and where we are having to fight for our commercial lives in world markets.

From my point of view, there are a couple of problems with the proposals before us. The first is that going for 25% British content is a low ambition. I would have thought that one would want a rather higher rate of British content if we were formulating some special treatment for the industry. There is also a problem with concentrating on the profits that a company generates, because some companies will be small businesses with talented entrepreneurs. They might have just one good game in them that earns them an awful lot of money in a short space of time. That is when high marginal rates on apparently high earnings—they become genuinely high earnings where it is possible to sustain them—could become quite an imposition, because those entrepreneurs might get caught in the year or two of their success, but find afterwards that they are no longer able to achieve that.

The issue is therefore not just about corporation tax or profits tax; it can also be about income tax. I hope that the Minister will reassure us by saying something about how he sees our overall tax regime developing, in both corporation tax and income tax, because we have a general problem and we need to show the way to lower rates as quickly as possible in this very competitive world. I would also repeat to my hon. Friend the simple point that the evidence from the American and the British experiences is that when countries have been bold enough to cut rates on enterprise, income and profits, they have usually found their revenues increasing. It is quite obvious that the Government need a lot of extra revenue, so I would recommend that proposal to him.

4.45 pm

The Exchequer Secretary to the Treasury (Mr David Gauke): New clause 1 and new schedule 2 seek to provide additional tax relief for companies producing video games. The measure was announced, but not implemented, by the previous Administration. As the Chancellor said in the emergency Budget statement, this tax relief for the video games industry is poorly targeted, which is why we have decided not to introduce it.

The United Kingdom's video games industry is recognised as a world leader, having produced hugely successful games such as the "Grand Theft Auto" series, and has led to innovations in industries as diverse as defence and health care, as the hon. Member for Dundee West (Jim McGovern) pointed out. All that has been achieved without specific Government intervention for the sector through the tax system.

We estimate that the relief proposed by the Opposition would cost some £40 million to £50 million a year—that was the costing for the previous Administration's proposal—and we believe that without strong evidence of a market failure in the games industry, it is difficult to justify spending that amount of money on such an intervention, particularly given the state of public finances.

Jim McGovern: At a recent meeting with the Minister, I told him that before the Budget that announced the intention to promote tax breaks, there were at least six ministerial visits to Dundee, which included the then Secretary of State for Scotland, Ministers from the Departments for Business, Innovation and Skills and for Culture, Media and Sport, and the Chancellor. There was a lot of consultation before the then Chancellor eventually announced the decision on tax breaks. Will the Minister tell the House how many visits were made to Dundee before this Government's decision to withdraw them?

Mr Gauke: The circumstances facing us in the run-up to the June Budget were such that we wanted to introduce a more fundamental reform of corporation tax. In that Budget on 22 June, we announced a reduction in the main corporation tax rate from 28% to 24% over the next four years. In doing that, we wanted to show a sense of direction, to ensure that Britain was open for business, and that we were providing lower rates. Our approach is to have a broader base but lower rates rather than targeted intervention, unless there is clear evidence that intervention is the right approach.

Stewart Hosie : The Minister is being generous. He is paraphrasing the Green Book, which says that the Government will

"prioritise spending which supports private sector growth and investment".

Various forms of those words have been used since his party and the Liberal Democrats took office. Surely tax breaks that would cost perhaps £195 million and would deliver £415 million in tax receipts are precisely the sort of investment in precisely the sort of industry that would meet the Government's objectives.

Mr Gauke: We have heard the figures quoted by TIGA, but we do not accept the validity of that analysis because we feel that some of the assumptions underpinning those estimates are erroneous. The research commissioned by the industry implicitly assumes that the investment incentivised by the subsidy is entirely additional to the UK economy. In reality, it is likely that the relief will displace investment from elsewhere in the economy, so the net impact on total UK investment could be limited. For example, it is possible that such a tax subsidy would divert investment from more productive sectors to the detriment of the productivity of the UK economy as a whole.

If Opposition Members are making the case that lower taxes always result in growth in the economy, I would listen with great interest and it would—my right hon. Friend the Member for Wokingham (Mr Redwood) made this point—be an interesting conversion to supply-side economics. I do believe, however, that the strongest economic case can be made for lower tax rates as a whole, across a broader base, as opposed to targeting some sectors, unless there is a strong case that there is some kind of market failure. We have not yet heard such a case being expressed in a way that we find persuasive, and that is why we decided not to proceed with video games tax relief.

That is not to say that we do not wish to support British businesses—far from it; we do. It is vital that we have a strong private sector to drive the recovery, but we must support that growth in the right way. In the emergency Budget, the Government announced a major package of reforms to the business tax regime with the aim of creating the most competitive corporate tax system in the G20.

Mr Mark Field: The Minister has twice referred to the concept of market failure. Did not the hon. Member for Dundee East (Stewart Hosie) make a compelling argument when he spoke about the very nature of this market? Perhaps we should be talking not about market failures but about the way in which the video games industry operates and the fact that its nature makes it susceptible to the kind of tax relief that we are looking for. The Minister is understandably, and rightly, sceptical about some of the figures being put out by TIGA, but a multiplier of nine seems pretty high. What level of multiplier would be so unacceptable as to allow this kind of relief to be put in place?

Mr Gauke: The TIGA analysis makes the assumption that everything achieved as a consequence of the relief would be additional to the economy. It does not appear to recognise that there would also be displacement, and that highly skilled graduates would not remain unemployed if they did not find work in the video games industry. We are therefore sceptical about the TIGA analysis. My hon. Friend makes his point well, however, and the nature and profile of the video games business clearly have some significance for his constituency, but we are as yet unconvinced of the necessity for the tax relief that was proposed by the previous Government, and that is proposed in the new clause.

The Government's focus must be on providing a strong business environment for sectors across the board, including video games. Our reforms will reduce rates of corporation tax by four percentage points over the next four years, which means that the UK will continue to have the lowest main rate in the G7. This will improve our relative position significantly, compared with that of our competitors, after the years in which we have fallen behind. This will benefit companies across the economy, including those in the video games industry.

Stewart Hosie: My party welcomes the reduction in corporation tax; we believe that it is a good thing. However, some of the businesses that are creating video games are not big enough to pay corporation tax. Many of them are dependent on the annual allowances, but some of those have now gone, and one has been halved. So although I welcome the reduced corporation tax, the overall package will not necessarily help the start-up studios and small studios as they develop their games.

Mr Gauke: We have also reduced the small profits rate of corporation tax from 21% to 20%, when it was set to go up to 22%, and we have effectively reversed the jobs tax—the increase in national insurance contributions that would have hurt start-ups. We are also offering start-ups, including those in the hon. Gentleman's constituency, a national insurance contributions holiday for the first 10 employees, so there were plenty of positive policies for start-ups announced at the time of the Budget. Indeed, given the state of the public finances, it was a very pro-business, pro-growth Budget in the way that it set up proposals for lower taxes.

On tax simplification, the Office of Tax Simplification earlier today announced the list of reliefs and exemptions within the tax system. When its work began in the summer, the general expectation was that there would be about 400 reliefs and exemptions; the total reached is 1,042 such reliefs and exemptions. Many play an important role within our tax system—I do not wish to decry that—but we have to think carefully about introducing new areas of complexity and new reliefs and exemptions, unless there is a strong case for doing so. Members have already made the case for video games, but the Government remain unconvinced.

Jim McGovern: Will the Minister give way?

Mr Gauke: I certainly will give way to the hon. Gentleman, who has been very active on this issue.

Jim McGovern: I thank the Minister for giving way again. He talks about hearing what has been said in the Chamber, but as far as I am aware he has not yet met Richard Wilson of TIGA. Like everyone else who mentions the organisation, I originally referred to it as "teega" but Mr Wilson continually refers to it as "tiger", and I assume that he knows better than I do. I believe the logo resembles a tiger, so there is a connection with the pronunciation there. Will the Minister agree to come to Dundee and I will arrange for Richard Wilson to be there? If figures are to be bandied about, with the Minister saying they are erroneous and Richard Wilson saying they are correct, it would be better if those two were in the same room at the same time to discuss the issue.

Mr Gauke: I am grateful for that invitation. I am sure it will be small comfort to the hon. Gentleman, but I will accept the pronunciation "tiger" and concede that point. I am not sure that it would be terribly helpful if we were all in the same room to discuss these particular numbers. As I say, we are not convinced by the case made on these numbers. Of course, Members with constituencies that have a concentration of video game companies will want to make that case, but it is right for the Government to look at the economy as a whole and to bring forward policies that benefit all parts of the country and all sectors, including the video game sector. As I said in the meetings I have had with the hon. Member for Dundee West, there is no sense in which the Government are in any way anti-video games or think it is an antisocial issue or anything like that. It is a question of economic efficiency and where we believe the role of Government can be best used—and that is in providing a favourable climate for businesses.

[Mr Gauke]

I appreciate that the new clause and new schedule proposed by the right hon. Member for Delyn (Mr Hanson) are probing measures, but I would like to touch on a point made by my hon. Friend the Member for Dover (Charlie Elphicke). This relief is targeted at a specific sector and it would be considered to be state aid; as such, it would require notification to and approval from the European Commission. The new clause and new schedule would be effective from Royal Assent. As the Government would not be able to secure approval in such a short period, the provisions would create an illegal state aid. As I said, I understand that the amending provisions are probing, but the same issue applies to the previous Government's proposals—and they, too, would have required state aid approval, which is worth putting on the record.

The new clause would create unjustified distortion and complexity in the corporate tax system. We do not think that such an intervention would represent good value for money for the Exchequer or be conducive to providing a simple and competitive tax system. The UK needs a tax system that supports all businesses, because it is the private sector across the board that will drive the recovery. I therefore ask the right hon. Gentleman to withdraw the new clause and new schedule.

Mr Hanson: I am grateful for the Minister's clarification of the Government's response. If we take into account the comments made by my hon. Friend the Member for Edinburgh East (Sheila Gilmore), it is clear that the Government are not in favour of the principle of this type of tax relief rather than the practicalities of the suggestions in the amending provisions. I am disappointed about that. I remind the Minister again of what the Under-Secretary said. When asked during the election campaign whether the Conservative party was in favour of a games development tax break, he answered:

"emphatically, 100 per cent in support for game tax breaks. No ifs, no buts."

That does not appear to be the Government's position today, which disappoints me.

Perhaps at this point I should declare that PricewaterhouseCoopers helped me to draw up the new clause. I shall register that in due course.

5 pm

I think that we need to reflect on this issue. The right hon. Member for Wokingham (Mr Redwood), the hon. Member for Cities of London and Westminster (Mr Field), the hon. Member for Dundee East (Stewart Hosie), my hon. Friends the Members for Dundee West (Jim McGovern), for West Bromwich East (Mr Watson) and, outside the Chamber, for Liverpool, Wavertree (Luciana Berger) have demonstrated great support for their industry. Many jobs depend on it, not least in the constituency of my hon. Friend the Member for Nottingham East (Chris Leslie). We must ensure that we do not transfer jobs to Canada, France and other countries just because of the impact of our tax regime on the industry, and just because—as has been pointed out—some companies do not qualify for the help that the Government have provided through capital gains tax relief owing to their size.

I accept what the Minister has said today, which I interpret as a closed door, but I must tell him that Members, including those with constituency interests, will return to the issue. I hope that he will accept the suggestion of my hon. Friend the Member for Dundee West that it should be examined in detail, that he will meet representatives of the industry, in London if not in Dundee, and that he will consider discussing with those who are helping to create this wealth how we can ensure that we keep the jobs in the United Kingdom. I hope he will not allow that door to remain completely closed.

I give the Minister notice that both Back Benchers and Front Benchers will return to the issue, so that we can all fulfil our manifesto and election pledges and, more important, protect the industry in the United Kingdom as a whole. Having said that, I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 2

INDEPENDENT TAXATION AND FAMILY BENEFITS

'The Treasury shall, within six months of the passing of this Act, commission and publish an independent review of the implications of the operation of section 32 of the Finance Act 1988 (Married couples—abolition of aggregation of income) on methods of determining eligibility for family benefits including child benefit.'.—*(Chris Leslie.)*

Brought up, and read the First time.

Chris Leslie (Nottingham East) (Lab/Co-op): I beg to move, That the clause be read a Second time.

New clause 2 would force the Treasury to come clean on its plans to withdraw child benefit from families with higher-rate taxpayers from January 2013, which will take £2.5 billion a year from those families from 2014-15 onwards.

Ever since the Chancellor announced the policy of means-testing child benefit a month ago at the Conservative party conference, the policy has gradually unravelled. The Treasury has struggled to spell out exactly how it will implement the idea—especially as there has rightly been separate and independent taxation of individuals since 1990, when it was recognised that there were major problems with taxing women as though their income were effectively part of their husbands' property. Those days may seem long ago now—it is 20 years since Lady Thatcher left Downing street, and 20 years since Britain joined the exchange rate mechanism—but the Government have adopted a déjà-vu approach to policy making which looks set to reopen that history.

We have grown used to the principle of independent taxation over the past two decades, and many now take it for granted, but we ought to pause and reflect on why it is so important. The Government's proposed changes to child benefit imply a requirement for mothers to disclose their receipt of child benefit to their partners, and a requirement for partners or husbands to be taxed on the income of their spouses. That represents a potential breach of the principle of separate and individual taxation which, as the new clause says, was introduced in the Finance Act 1988, and which applied from 1990 onwards.

The 1988 Act introduced a radical change in the system of taxing husbands and wives: independent taxation. Until then, husbands and wives were viewed

as one person for tax purposes, and the Revenue, of course, saw only the husband. The spouse's income and gains were added together, and the couple were treated as if the total income were that of the husband. He was responsible for completing the annual tax return and for paying all tax due, including that on his wife's income and gains. However, with the introduction of independent taxation, spouses were treated as separate individuals for tax purposes and for the first time married women enjoyed privacy in, and responsibility for, their own tax affairs. In addition, some married couples were paying more tax because they were married than they would have if they had been cohabiting. That drew much criticism at the time.

It is instructive to look back at the speeches advocating the virtues of independent taxation, especially by the then Chief Secretary to the Treasury, who has since been ennobled as Lord Lamont. In the 1988 Budget debate he called this reform

"a radical proposal for independent taxation...It will give married women the independence and privacy in tax matters that they have been denied for so long...Under the new system, a married woman will be treated as a taxpayer in her own right with a full personal allowance to set against her income, and her own basic rate band. She will have responsibility for her own tax matters and will be able to enjoy complete privacy if she wishes...It is an important principle that there should be independence and privacy in taxation matters."—[*Official Report*, 16 March 1988; Vol. 129, c. 1193-94.]

Clearly the Prime Minister should heed the words of his former boss in these matters. I gather that Lord Lamont is still occasionally called upon to give advice to his former special adviser. Perhaps their diaries clashed on the day of the fateful decision on child benefit, but there is still time for the Prime Minister to make that call to Lord Lamont, and to see the error of his ways and rein in his doctrinaire Chancellor on this issue, especially as the Prime Minister promised before the general election to protect child benefit. Winding the clock back 20 years and reversing decades of progress in equality in taxation and in the responsibilities of individuals for their own income risks creating a set of major perversities in the tax system that could have significant ramifications. That is why the Opposition are opposed to the changes in child benefit.

Let us consider the administrative shambles that would be created if the Government were to get their way. *The Wall Street Journal* has reported insiders in the civil service talking of "panic stations" at the Treasury with growing acceptance that the policy is virtually "unenforceable" and "likely to be ditched". If a mother is under no legal obligation to tell the father that she is in receipt of child benefit—unless we do see the end of independent taxation, of course—how can this tax on families work? Currently, the father's tax status is irrelevant to the mother's entitlement to child benefit. Can the Minister tell the House how this clawback arrangement will work, especially if parents are divorced or divorcing or separated or separating, or if the mother simply declines to report the tax status of the father of her children to Her Majesty's Revenue and Customs officials?

Can the Minister also tell us whether the rumour that the Treasury is considering a new database to match mothers with their partners is true, and would that not make the Child Support Agency seem a bit like a pocket calculator by comparison? Will the Minister spell out the mechanisms the Treasury envisages in respect of this policy, and the enforcement mechanisms it is planning to put in place to take these sums off families earning approximately £45,000 or above? Will the Treasury be relying on a self-certification approach by the partner not in receipt of child benefit? Will the Minister take this opportunity to state for the record that the Government will continue with the important principle that mothers should be the primary recipient of child benefit payments?

The poor design of this policy could easily undermine revenue plans too. Clawing back the cost of the benefit from higher rate taxpayers through the tax system would be "intrusive" and involve lots of form filling. That is the opinion of one of the Chancellor's own advisers on tax policy, John Whiting, whom the Chancellor recently appointed as the tax director of the Office of Tax Simplification. Mr Whiting suggests that the policy would be an administrative burden that would merely "make a dent" in the estimated £2.5 billion of savings the Treasury claims the change would bring. We are not alone in questioning the logic of this ill-thought-through proposal, therefore. We know from the reporting on this policy that the Chancellor rode roughshod over his Cabinet colleagues when it was announced at the Conservative party conference. Clearly many in the Cabinet were oblivious to those plans when the Chancellor sprung them on them, but it is now clear that he also rode roughshod over those in the civil service. They were insufficiently included in the plans for this policy and had he consulted them properly, they would have pointed out the chaos that it would create.

These are serious matters affecting millions of families across the UK, not only millionaires such as the Chancellor's family or the Prime Minister's family, but those on relatively modest incomes. They include police officers, college tutors, health service workers, senior teachers, pharmacists, paramedics, train drivers and air traffic controllers. Many are caught up in this category, the arbitrary design of which will create great unfairness with punitively high marginal rates of taxation.

Charlie Elphicke: The hon. Gentleman seems to want to convince the House that £45,000 a year is not very much money, but he should tell that to my constituents, whose average annual earnings are less than £20,000; that is what the average job pays in Dover and that is the norm in many parts of this country outside London. My constituents look askance at the fact that people on £45,000, a sum of earnings that they aspire to and dream of having, receive benefits. They tell me on the doorstep that they think that that is wrong, in principle, and that this measure is the right one to take.

Chris Leslie: The hon. Gentleman is doing his job, supporting a policy that was not the one espoused in his party's manifesto. It certainly was not the policy that the Prime Minister advocated before the election when he promised to protect universal child benefit—he now says that it should be taken away from these "rich" individuals, but I do not agree. I do not believe that this class of middle-income families is necessarily finding life easy on this particular range of salaries. We have to speak up for that squeezed middle in society and that is absolutely what the Opposition intend to do. Where a policy could see a £1 pay rise for these families result in the loss of £2,000 in child benefit, depending on the number of children involved, it involves a punitively high rate of marginal taxation that surely even Members on the Government Benches would agree is flawed.

[Chris Leslie]

At last week's Treasury Committee sitting, the director of the Institute for Fiscal Studies, Mike Brewer, described these cliff-edge issues as "economically perverse" and "distorting". He also said that it "seems unfair" that two families in different circumstances but perhaps separated by very small sums should be "treated so differently". His colleague, Carl Emmerson, added:

"The income tax system, by being individually based, is basically neutral about whether individuals"

should be taxed separately or together and that that is an "advantage" in the tax system.

My right hon. Friend the Leader of the Opposition has rightly asked,

"why should a family on £45,000 where one person stays at home lose their child benefit—£1,000, 2,000, £3,000 a year—but a family on £80,000 where both partners... are working should keep their child benefit?" [*Official Report*, 13 October 2010; Vol. 516, c. 322-23.]

Even the Treasury has, begrudgingly, had to publish some statistics showing that this policy would create all sorts of anomalies and odd behaviour. It published a figure in the Budget suggesting that it expected to lose £270 million each year in revenue from people tax planning as they navigated this madness.

A family with three children on £33,000 a year after tax is to lose £2,500 from 2013—that is the equivalent of a 6p in the pound hike in their income tax. Middle-class families are being hit, and it is particularly pernicious of the Conservatives and the Liberal Democrats to focus on children in this way as a means of raising money—they are clubbing families over the head with a higher tax burden while, of course, letting the banks off the hook. At the very least the Treasury should accept the new clause and agree to publish an independent review of the consequences for independent taxation if its plans for child benefit taxation of higher rate paying family members are to proceed.

5.15 pm

Chris Evans (Islwyn) (Lab/Co-op): The conflicting press reports on this policy that we have seen over the last couple of months mean that the Government must explain their plans to withdraw child benefit. Like many commentators and Members of this House, I am deeply concerned by proposals that will see a lone parent or single-earner couple earning just above the higher rate threshold lose their child benefit while a dual-earner couple both earning just under the threshold would continue to receive it.

The reform could also distort incentives for those with incomes around the higher tax threshold. As I understand it, those earning above the 40% tax bracket will no longer receive child benefit for their children—that bracket is currently about £44,000. The system is complicated by the fact that that rule applies to single wage earners. If both parents earned, say, £42,000—or £84,000 between them—their family would continue to receive child benefit.

The Treasury has a duty tonight to explain how its plans to withdraw child benefit from families with a higher rate taxpayer could work in practice. Some tax experts have said that ending child benefit payments to couples with one higher rate taxpayer earning more than £43,875 a year is unenforceable. The method of recovery will require taxpayers to submit annual paperwork, new HMRC tax codes and a change in the law to cover parents who separate or live apart.

Higher rate taxpayers will need to tick an honesty box on their tax return, stating whether they or their partner have received child benefit in the past year, and it is said that they will be fined if the information provided is incorrect. According to press reports, taxpayers might face fines if they fail to disclose whether their household received child benefit. On 29 October 2010, the *Financial Times* stated:

"From 2013, higher-rate taxpayers in the self-assessment system will be required to tick a box declaring that their household claims child benefit. They will then pay a higher rate of tax corresponding to the level of benefit, which is worth £1,700 to a couple with two children.

Those on the pay-as-you-earn tax system will be asked in a letter to disclose if their household claims the benefit—a declaration that will put them into a different tax code. The benefit would then be deducted in the next tax year, in an 'end-year adjustment' similar to that in the tax credit system."

We have seen the problems that that has caused over the past couple of years. The article went on:

"Legislation to implement the changes will include laws setting out what will happen to the benefit if parents split up, remarry or share custody."

To me, it is not clear how a system based on an end-year adjustment would cope with in-year changes in circumstances such as the birth of a child, a partner moving out or a new partner moving in. It is also unclear what a household will constitute for these purposes. As I have said, parents who earn £42,000 each would keep the benefit—worth £1,752 a year for a couple with two children—whereas a family relying on one income of £44,000 would lose out. Someone with children on a £42,000 salary would be better off than someone on a £45,000 salary, as they could keep all their child benefit.

At present, there are no definitions of "household" in either tax or child benefit law. Defining a couple is not easy, particularly if a couple split up. He might be a higher rate taxpayer while she is the carer for the children—or, with equality fresh in the mind, she could be a higher rate taxpayer while he is the carer for the children. When they part, she could claim child benefit as she has little other income, but if the rules treat them as still part of the same household—perhaps they have split up but are still living together—she could lose her child benefit, or even have to pay back whatever she has received.

We already knew that the plans were unfair, but what has been increasingly clear is that they simply have not been thought through. We do not even know if the provisions on independent taxation will be repealed. If mothers are under no legal obligation to tell fathers that they are in receipt of child benefit, how can this tax on families work? The policy will simply create more work; there will have to be a lot of checking up. People will have to put a lot of effort in to get it and to make sure they are getting the right amount.

We are now seeing significant confusion about what the policy means in practice. Quite simply, it is creating more questions than answers. In the June emergency Budget, it was announced that the income tax personal allowance will rise by £1,000 to £7,475 from April 2011. However, the 20% tax band is being squeezed so as not

to benefit higher rate taxpayers: whereas the 40% tax band currently starts at £43,875, with no tax on the first £6,475 and 20% on the next £37,400, that will change from April next year. At that point, the 40% tax bracket will start at £42,375, with a personal tax allowance of £7,475 and a reduced £34,900 tax band of 20%. Does that mean that people could lose child benefit even if they earn less than £44,000 from April next year? If that is the case, an additional 800,000 wage earners will be brought into the higher rate tax band from next April, which makes a mockery of the Government's claims to be on the side of hard-working families. If tax allowances remain as planned, those earning more than £42,375 will be denied child benefit. The Government must answer these questions ahead of April 2011.

Mr Chuka Umunna (Streatham) (Lab): Let me make three very quick points, parts of which will pick up on comments that have already been made.

The first point is the issue of declaration. My hon. Friend the Member for Nottingham East (Chris Leslie) mentioned last week's Treasury Committee hearing, during which I asked the Chief Secretary to the Treasury how he intended to enforce the new child benefit measure. He said that the coalition Government will introduce legislation to require higher rate taxpayers to declare whether child benefit is coming into the household. Such a declaration is partly dependent on information being passed from one partner to the other. The Chief Secretary was very clear that the obligation to provide the information will be on the higher rate taxpayer. Why not also introduce a requirement in respect of the other half of the couple? As the Chief Secretary did not answer that, will the Minister now shed some light on it and reveal whether the Treasury has taken proper legal advice? The hon. Member for Dover (Charlie Elphicke), a former tax lawyer, is in the Chamber. I wonder whether he advised his colleagues.

Charlie Elphicke: I thank the hon. Gentleman for his kind words. As a lawyer, I might be very cautious, but as someone who has been in a relationship and who has found that couples tend to talk, I will ask the hon. Gentleman whether he is aware of any couples with children who do not share their financial information?

Mr Umunna: I do not usually ask my friends and acquaintances whether they share financial information with their partners, but I hear the comments of the hon. Gentleman.

My second point is, how will it be possible to prove the connection between the mother and the higher rate taxpayer, bearing in mind the problems that we have been having at Her Majesty's Revenue and Customs? Given that HMRC's resources have been cut over the past few years, how will it be able to keep tabs on the situation between couples on a monthly basis? As some 1.2 million families will be affected by the new measure, will HMRC be given any more funding to enable it to enforce the new change and to keep tabs on what is happening out there in the nation?

Finally, John Whiting, joint interim head of the Office of Tax Simplification, has obviously commented on the problems of the new measure, but what is the point in setting up such an office when the people working within it and those heading it up have not been properly consulted or asked to advise on this measure? Surely, if the Government are not minded to accept this new clause, it would be a good idea to delay the introduction of this measure and ask the Office of Tax Simplification to do its job and advise on how it can be more efficiently introduced.

Geraint Davies (Swansea West) (Lab/Co-op): My hon. Friend makes a powerful case to look again at the detail. Does he agree that if the objective was to be fair and to put the burden on to the broadest shoulders, surely it would have been better to raise the marginal rate of tax from 40% to 41% , so that the people who have more pay more, and not just clobber people with children, who now have to pay more for their children. Those are couples, only one of whom might be working, where the 40% does not signal the best-off households.

Mr Umunna: No doubt the Government will consider my hon. Friend's interesting suggestion and comment accordingly.

One of the main problems with the new measure is that people fall off a cliff edge when they hit the higher rate. Have the Government considered introducing a taper mechanism to prevent that anomaly from occurring, because obviously that is where the unfairness shines through?

Mr Gauke: The new clause would link the future withdrawal of child benefit from higher rate taxpayers with the principle of independent taxation. The payment of child benefit is clearly a spending issue and is not directly linked to the Bill. I therefore shall not try your patience, Madam Deputy Speaker, but it is important to set out the background to the change.

The spending review set out how the Government will tackle the deficit that they inherited from the previous Administration. Given the comments that have been made by the Leader of the Opposition—I congratulate him on becoming the recipient of another child benefit payment, and wish him and his family well—as well as by the hon. Member for Nottingham East (Chris Leslie) and several other Labour Members today, I take it that the Labour party remains opposed in principle to our reform of child benefit and believes that it should continue to be paid to all households.

Sheila Gilmore: Does the Minister agree that this is a case of reforming in haste and repenting at leisure? However tempting it might be to put in place something that sounds simple in principle, the complexity of the proposal should have been examined. The Government could have acted differently, such as by making child benefit part of taxable income. I do not necessarily suggest that that would be the best solution, but it would mean that several issues around independent taxation would not apply. If the Government wish to reduce child benefit to some households, there are other ways of doing it.

Mr Gauke: I take the hon. Lady's point, but I am not clear about whether her party's position is to say, "Something should be done, but we don't like the way it's being done," which, I think, is the position that she sets out, or to say, "We don't think anything should be

[Mr Gauke]

done at all," in which case we must include the £2.5 billion that the measure will save the Exchequer—that is an estimate from the Office for Budget Responsibility—as part of our assessment of the Opposition's fiscal policies.

Mr Umunna: The Minister cites savings of £2.5 billion, but will he estimate the likely cost of administering the new policy, which will have an impact on those savings? John Whiting has said that the extra burden associated with administering the change in the way it is envisaged will make a fairly big dent in the expected savings.

Mr Gauke: The hon. Gentleman asks a fair question, but I will not give him a precise number because that is something that we continue to consider. The implementation of any policy clearly involves a cost, but I assure him that this cost will be small when compared with £2.5 billion. I am keen to ensure that the policy does not place an undue burden on HMRC. He made a fair point about HMRC. It faces a budget reduction, even though the Government are protecting it by ensuring that it has more resources to tackle evasion and avoidance, but we are keen to ensure that the burden of administering the policy will not cause it undue difficulty.

We have to take tough decisions and make tough choices, and this is one of the decisions that the Government have taken because we believe it is the right thing to do. We do not think it is fair to tax people on low incomes to pay for the child benefit of those earning much more. We cannot afford to continue providing financial support through child benefit to better-off households where there is a higher rate taxpayer. From January 2013, the Government will therefore withdraw child benefit from families that contain a higher rate taxpayer. Despite the noises from the Opposition, the British people understand that this is a tough, but fair, decision.

Geraint Davies: Can the Minister explain why the proposal to tax higher rate taxpayers in that way was made and announced before the comprehensive spending review? I put it to him that the reason for that was to warm up the audience and to make out that the comprehensive spending review would be fair and balanced, as opposed to the IFS's conclusion that it hit the poor two and a half times as much as it hit the rich. Was not the timing of the announcement entirely cynical?

Mr Gauke: The policy underlines the fact that the Government are looking to address our deficit in a way that is fair, and to ensure that all parts of society play their part and those with the broadest shoulders make the biggest contribution. That is what we are doing. It is remarkable that it is Opposition Members who appear to be trying to prevent that happening, though I am not sure whether they object to the way in which it is being done or whether they intend to fight in the last ditch to defend the principle of universality as it applies to child benefit.

We wanted to avoid creating a complex new means test for household income. To do so would fundamentally change the nature of child benefit and come at a significant cost to the taxpayer. This policy has therefore been designed to avoid affecting the vast majority of the population—some 80%—who are basic rate taxpayers. It also avoids additional systems being developed, as the measure can be delivered within existing pay-as-you-earn and self-assessment systems.

Let me deal with the issue behind the new clause—the principle of independent taxation, which was introduced in the Finance Act 1988. It is a great pleasure to hear Opposition Members applauding the 1988 Budget. If I remember rightly, proceedings in this place at the time were interrupted as the Chancellor of the Exchequer was shouted down by some Opposition Members. Section 32 abolished the provision that a wife's income was income of her husband for income tax purposes. That remains the case, and none of the proposed changes to child benefit alters it.

Child benefit is provided for a child within a family and it is therefore necessary to consider the family as a group. The policy merely withdraws child benefit from a family to whom it is difficult to justify paying it. Furthermore, the withdrawal of child benefit from families containing a higher rate taxpayer will not affect the personal allowance or rate band applicable to an individual. The changes apply a simple test to ensure that child benefit is not provided to those who need it the least.

Of course, the House will have the full opportunity to debate the changes to child benefit when they are legislated, ahead of implementation in January 2013. That would be a better time to discuss the various specific issues that have been raised in the course of the debate. Although I understand that Opposition Members may wish to draw a link between child benefit and independent taxation in order to have this debate today, it is clear that the two systems remain separate and independent.

Chris Leslie: I am trying to follow the Minister's logic. Does HMRC envisage child benefit continuing to be paid to all mothers, but that higher rate taxpayers will have a sum equivalent to child benefit deducted from their income, on top of taxes?

Mr Gauke: The hon. Gentleman, who has been somewhat ingenious in tabling the new clause, again seeks to draw me into a wider debate about the implementation of child benefit. He sets out one way in which it could work; in other circumstances, claimants might seek to stop receiving child benefit. However, I must stress that, although he has been somewhat ingenious in raising the issue in the context of the Finance (No.2) Bill, the new clause has nothing to do with independent taxation, so I ask him to withdraw it.

Chris Leslie: I am astonished by the Minister's blinkered approach in sticking to the robotic text, "This has absolutely nothing to do with independent taxation," when it patently does. If a higher rate taxpayer is being asked to pay for income that their partner or spouse receives, that clearly breaches the principle of independent taxation. The hon. Gentleman would not be drawn into the mechanism by which the scheme would be set up, but, given the great fanfare with which the policy was announced at the Conservative party conference, I would have thought that by now the panic stations at the Treasury might surely have subsided, and that he would be able to share with the House exactly how the measure would work.

5.30 pm

I am glad that the hon. Gentleman congratulated my right hon. Friend the Leader of the Opposition on the arrival of his new baby. May I, too, add my congratulations to my right hon. Friend? It reminds me that I should have possibly declared an interest in child benefit at the beginning of the debate, but there may be a sufficient quantum of participants to make that unnecessary.

My hon. Friend the Member for Islwyn (Chris Evans) was right to describe the chaos involved in the measure. He asked, will tax circumstances be adjusted for in-year changes in circumstance? The answer is no, unless of course a child happens to be born at the very beginning of the tax year, but perhaps that is part of the Government's plan: children will be able to be born only at certain parts of the year, or by quarter, so that HMRC is able to apply the tax rules with administrative ease.

My hon. Friend the Member for Streatham (Mr Umunna) pointed out the Government's sketchy plans in relying on a declaration by the higher rate taxpayer in order to disclose about child benefit—something of which, of course, they may or may not be aware. The fact that the Office for Tax Simplification—again, much vaunted when it was established—does not seem to have been consulted or involved leads me to suspect that the OTS may well have been set up for the benefit of high net-worth individuals, rather than to simplify the tax arrangements of ordinary taxpayers.

The Minister has failed to set out how the child benefit taxation arrangement will work. There are hundreds of thousands of families throughout the country hanging on his words and trying to find out how on earth the scheme will be arranged, particularly given the perversity that will be introduced through the high marginal rate of taxation. Do not let us forget that that extra pound could result in an individual losing £2,000 in child benefit.

Geraint Davies: In my constituency, my hon. Friend's constituency and throughout the country, there are women who do not earn any money but live in a household with a partner, receive child benefit and spend the money on their children. In the light of their uncertainty about the future, given what we all know about the divorce rates, those women are critically concerned that the hand of government will suddenly come in and snatch that money from them or their children because of what the man earns. The Bill is clearly an infringement of independent taxation and an attack on children and mothers.

Chris Leslie: My hon. Friend highlights the fact that I cannot see this being the end of the matter. The Minister suggests that the measure is part of the Government's carefully calculated spending commitments, but I do not think that they will continue with the plan. There are so many anomalies and problems in its design and operation that they clearly did not think it through properly. They might have looked at the ready reckoner, saying "Oh yes" as they licked their lips at the £2.5 billion that they could take from families, and went straight to the first day of the Conservative party conference to announce their proposal, but it is unravelling by the moment.

The Institute for Fiscal Studies and others are starting to highlight the economic perversities and distorting effect of this measure. Even the sole issue of independent taxation is sufficient to hole below the waterline the Government's plans to tax child benefit. I therefore hope that we can divide the House on the new clause.

Question put, That the clause be read a Second time.

The House divided: Ayes 218, Noes 302.

Division No. 111] **[5.40 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, Heidi
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Nicholas
Brown, Mr Russell
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Ronnie
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hanson, rh Mr David
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, Diana
Jones, Graham
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony

Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacShane, rh Mr Denis
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reeves, Rachel
Reynolds, Emma
Riordan, Mrs Linda
Robertson, Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Lyn Brown and Jonathan Reynolds

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Coffey, Dr Thérèse
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Loughton, Tim
Luff, Peter
Macleod, Mary

Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, Dr John
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Tomlinson, Justin
Truss, Elizabeth
Turner, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Webb, Steve
Wharton, James
Wheeler, Heather
Whittaker, Craig
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Bill Wiggin and
Mr Robert Goodwill

Question accordingly negatived.

New Clause 3

BANK TAXATION

'The Treasury shall publish a report before the 2011 Budget examining the level of taxation on the banking and financial services industry.'.—*(Chris Leslie.)*

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

This is a short new clause, which stands in my name and those of my hon. Friend the Member for Bristol East (Kerry McCarthy) and my right hon. Friend the Member for Delyn (Mr Hanson). It might be naive of me to expect that the promises made by the Prime Minister in opposition still hold good today, but this debate is necessary because of his rhetoric then, when he said that

"there should be a day of reckoning"

for the banks—

"A day when we would not flinch from spelling out the rightful consequences of irresponsible behaviour...this is a question of fairness...on behalf of working families".

He continued:

"we show clearly that...there is not one rule for the rich and a different rule for everybody else."

Those are the words of the Prime Minister—before the last general election, of course. Time has moved on, the ministerial cars have become very comfortable, but the Treasury has barely lifted a finger to fulfil the promises to reform the tax regime in which the major banks operate. Perhaps that is a convenient state of affairs for the Conservatives and Liberal Democrats as they desperately try to shift attention from the banks' culpability for the state we are in, but there is still an urgent need to take stock of their contribution to repairing the public purse and to see decisions taken that might help to alleviate the looming crisis of public service redundancies and cutbacks.

The Chancellor's spending review, to which the Opposition obviously take great exception, is based on the pretext that "There is no alternative". In other words, anyone who even dares to murmur that there is any other course of action is somehow using flawed, unreasonable or unrealistic logic. That not only insults the intelligence of the public at large, but is profoundly short-sighted, as there are a great many alternative strategies that the Government should be considering. However, they insist that there is no plan B.

The new clause would shed further light on the facts behind the claim that there are no alternative revenues that could alleviate the burden of service and welfare cuts, which will fall heaviest, as we know, on middle-income families and some of the poorest adults and children in this country. We surely owe it to those people—our constituents—to try harder to find ways to close the tax gap, to create growth and new jobs, to generate new income and to bear down on the tax avoidance that costs billions of pounds each year.

Let us remember why we have the budget deficit. Contrary to the spinology that we will no doubt get from Government Members, who are obviously desperate to politicise the deficit in the hope of providing cover for their ideological scaling-back of public investment, our national debt was caused primarily not by a spending spree, as they claim, but by a dramatic collapse in revenues to the Treasury from income tax, VAT and corporation tax as a result of the global credit crunch and recession. The £132 billion rise in the deficit in the last financial year was, yes, partly the result of £53 billion in extra social protection expenditure, which was necessary,

[Chris Leslie]

for example, for unemployment benefits. More importantly, however, there was the £79 billion decrease in revenues. It is that collapse in revenues, which was compounded by the need to spend billions shoring up the banking system and preventing its collapse, that the Conservative party consistently and mysteriously want to overlook.

Let us remind ourselves of the banking bail-out, because significant sums were spent, and had to be spent, on it. Those sums included £76 billion to purchase shares in the Royal Bank of Scotland and Lloyds Banking Group, £200 billion to indemnify the Bank of England against losses occurred in providing liquidity support, £250 billion to guarantee banks' wholesale borrowing and strengthen liquidity in the banking system, £40 billion to provide loans and other funding to Bradford & Bingley and the Financial Services Compensation Scheme, and £280 billion agreed in principle to provide insurance for a selection of banking assets. All in all, it was the credit crunch, as we know, that led to the banking crisis and the recession. It is those things, not the public service inflation on which the Conservative party is completely fixated, that were the underpinning factors fuelling the deficit.

The banks owe taxpayers a massive debt of gratitude—that much is clear. They would have gone bust were it not for the deficit facility that we are now grappling with. My constituents are therefore repeatedly asking one simple question: will the banks be made to pay their fair share, getting us out of the deficit that they helped to create because of their business mistakes? Before the election, the Prime Minister gave every impression that that would be so, but so far very little action has been taken.

I do not want to penalise the banking sector to the point of annihilation; nobody wants our economy's financial services sector to fail further. Indeed, it should be resurrected in a more sustainable, diverse and healthy form for the future. However, when the Government are raising VAT on the rest of us, cutting police budgets, for example, by 20%, severely squeezing students and those on housing benefit, and forcing the closure of fire services, libraries and community services—the list goes on and on—we should surely examine more closely the level of taxation that the banks are paying. That is the point of new clause 3.

6 pm

The Government say that the banking levy is the answer—that is what we will hear from Ministers tonight—but let us explore that point. Although the banking levy is in principle welcome, it is now patently obvious that it has been set at a woefully inadequate level. When the Chancellor unveiled it in the June Budget, it was greeted with relief in the City, which had been bracing itself for a hit of about £5 billion a year. The eventual 0.07% tax that the big UK banks will pay on their assets is less than half the rate envisaged in the United States when it was planning to implement a parallel scheme.

Most City experts know that, in reality, the banks are getting off quite lightly. Citigroup estimated that Lloyds could pay a levy of only about £268 million in 2012, compared with £292 million for RBS and £368 million for Barclays, and that for HSBC the levy for the same year could be £311 million. Deutsche Bank analysts said that the Budget was "a good outcome" for the banks, and a City insider was quoted in the *Daily Mail* as saying:

> "Privately, some banks will have a feeling of glee at the way this has worked out. But none would be stupid enough to say anything openly."

HSBC's banking analyst said:

> "We'd expect most domestically-orientated banks, for example Lloyds, to be better off after four years than they were pre-budget".

Stewart Hosie: This is interesting. I have seen many of these quotes before, and I am certainly minded to support the new clause, if the hon. Gentleman pushes it to a vote. An examination of the level of tax on banking is sensible, but I would like to know what the Labour party proposes for the level of taxation, given that every billion out of the banks is about £10 million to £15 million less to lend in the real economy. I am curious, therefore, to find out how punitive the Labour party would be.

Chris Leslie: I accept the hon. Gentleman's point. We have to be prudent in how we address these questions, and I hope to come to some of the matters he raises as we explore corporation tax and so on. If he bears with me, I will—hopefully—elaborate.

UBS analysts said that they expected Lloyds and HSBC to benefit by 2012 because of the cut in corporation tax bills, which in their case was larger than the hit they expected to be sustained through the banking levy. It seems, therefore, that the banking levy is playing quite a small part, perhaps a walk-on character—

Charlie Elphicke *rose—*

Chris Leslie: A walk-on character with very few lines—unlike the hon. Gentleman, to whom I give way.

Charlie Elphicke: I would like to put a couple of points to the hon. Gentleman. First, taking the case of Lloyds and RBS, are there not likely to be substantial carry-forward losses in those banks, which will not be paying corporation tax for many years to come, let alone by 2012? Secondly, were they then to face a higher rate of tax, which I believe he is proposing, would the cost on those banks not result in the devaluation of their shares, which are now owned by the public? Surely, it would go round in a circle.

Chris Leslie: I will come to deferred tax in a moment, because the corporation tax questions require much greater scrutiny. That is one reason we tabled the new clause. I hope that the hon. Gentleman will join me in the Lobby, should we divide on this issue—unless the Treasury concede it—and that he agrees that we should have a review of the level of tax the banks are paying. If they are paying too much, which I doubt, I will be happy to look at the evidence and the facts. However, there is opacity about these questions, and given the hit falling on the shoulders of families and children in this country, it is incumbent on us to ask whether the banks will be paying their fair share. That is all we are asking this evening.

We think that the Government's banking levy has been a limp effort so far. Given some of the corporation tax changes, there is a bit of a cashback arrangement for some of the banks. I would like to touch on three

areas of corporation tax that I think require more serious and rigorous review. The first is that cashback boost for the banks resulting from the reduction in corporation tax rates announced in the Budget. The Exchequer Secretary confirmed in a written answer that over the lifetime of the spending review the Treasury expects that the cut in corporation tax main rate from 28% to 27%, and eventually down to 24%, will return £1 billion to the banks—specifically to the banks:

"£0.1 billion in 2011-12, £0.2 billion in 2012-13, £0.3 billion in 2013-14 and £0.4 billion in 2014-15."—[*Official Report*, 1 July 2010; Vol. 512, c. 610W.]

Mr Gauke: It is dangerous to intervene given that I do not have the answer to which the hon. Gentleman has referred in front of me, but my recollection is that the answer to that parliamentary question was in the context of financial services companies as a whole, including insurance firms, not specifically banks.

Chris Leslie: It might well be that in that written answer the Exchequer Secretary's definition of "financial services" extends slightly beyond the banks. I am happy to concede that point. Of course, we framed the new clause in order to explore the tax burden not just on the banks but on financial services more widely. However, even the hon. Gentleman would have to concede that the banks will probably be the principal beneficiaries of the corporation tax cut that he is choosing to give them at a time when he is taking money from young, pregnant mothers—the health in pregnancy grant, to name one example of an incongruous decision that might be questioned by our constituents.

The Economic Secretary to the Treasury (Justine Greening): I can see that the hon. Gentleman is slightly confused about the written answer, so I want to clarify it for him, as I have a copy of it. The figures he gave relate to "financial sector" companies, so does he accept that he got his figures wrong when he said he was talking specifically about the banks?

Chris Leslie: The hon. Lady has several thousand civil servants—for the time being, at least, before they are made redundant—in the Treasury to help her with the costings for such questions. I can only go with the facts published in *Hansard*. Perhaps she could save me the trouble of tabling a further written question to find out what the bank cashback arrangement will be on corporation tax. I will give way to her if she has to hand the precise figures on what the UK banks will be gaining from the corporation tax cut. Can she tell us what those figures are? If not, I will table a written question. If she can swiftly answer that, it will be for the benefit of the House. I am pretty sure that it will be a net gain for the banks.

Mr Gauke *rose—*

Chris Leslie: Will the hon. Gentleman give me the figures?

Mr Gauke: Let me deal with this directly. The Treasury and Her Majesty's Revenue and Customs figures that we have look at hits by sector—in this case, the financial services sector, which includes not only banking but insurance and financial auxiliary services. The hon. Gentleman quoted his figures and suggested that they represent a net gain. In fact, by the time we get to 2014-15, the bank levy will be £2.4 billion. At the same time, the corporation tax cuts in 2014-15 will benefit the financial services sector by £0.4 billion. However we divide £0.4 billion, it is hard to see how it will ever be higher than £2.4 billion.

Chris Leslie: Were those the only two relevant factors, that might be the case, but of course they are not. There are other tax changes through which the banks will more than benefit from the arrangements. If the Exchequer Secretary had had the patience to wait, I would have elaborated on that. I will come to that quicker.

It is important that the Exchequer Secretary listens to those experts who have talked about the benefit to the banks from the corporation tax change. Lloyds Banking Group plc could gain more from a cut in corporation tax than it loses under the new banking levy, according to analysts at Redburn Partners legal practice. Lloyds, 41% of which is owned by the British Government, might see a 3% rise in its earnings per share in 2012 as corporation tax begins to fall to 24% from 28% over those four years, according to Redburn analyst, Jon Kirk. There will therefore be a net positive for Lloyds. That is one example of a net gain for the banks.

Secondly, the banks have already found a way of minimising their corporation tax liabilities. A report published only last week by the TUC on the corporation tax gap showed a gap between the headline rate of corporation tax paid and the actual or effective rate of corporation tax paid. The TUC's analysis of data on UK corporate returns showed that the larger a company is, the better it tends to be at reducing its effective rate of corporation tax, which fell from 28% in 2000, when the headline rate was 30%, to about 23% in 2009, when the headline rate was 28%. On that basis, the TUC's economists predict that by 2014, the largest companies will be paying corporation tax at a rate of no more than 17% on average, while small companies will still be paying corporation tax at 20% or more.

Stephen Hammond (Wimbledon) (Con): The hon. Gentleman will know that there are all sorts of reasons why the headline rate of corporation tax may not reflect the rate of corporation tax that is actually paid, which are to do with credits for R and D, and all sorts of things. He keeps quoting what the TUC report says about larger companies, but what does it say about the banking sector?

Chris Leslie: The TUC says that the effective rate of corporation tax for the banks will fall from 25% in 2000 to below 20% this year, which means that, in reality, they are already paying a rate that is below the headline rate that small firms pay. Those findings are certainly eye-catching. All I am saying in new clause 3 is that they merit further review and consideration, which would be a reasonable step to take. Indeed, those findings suggest that we could even be heading towards a regressive corporation tax system in the UK. Small businesses should be paying less in corporation tax than the banks, but the evidence suggests that that might not be the case.

[Chris Leslie]

The third wheeze that the banks might benefit from, in their navigation of the corporation tax system, is known as deferred tax, which can be defined as the tax liability that might be payable at some point in the future because of transactions that have already taken place, albeit where there is no certainty about when it will have to be paid. Deferring the payment of tax is not something that ordinary taxpayers can indulge in with great ease, yet it appears that the banks are playing that game on a gargantuan scale, according to the findings of Richard Murphy, the director of Tax Research LLP. He suggests in his recent report that the banks' deferral of tax reserves are absolutely phenomenal. He calculates that a sum totalling nearly £19 billion, which is nearly half what this country spends on capital projects annually, might not be paid by the banks in corporation tax as a result. He describes that as

"an extraordinary double subsidy going on for these banks."

Not only were the banks underpinned by the taxpayer in 2008—they are still underpinned in the form of the guarantees offered by the Treasury—but they may receive another fillip, he argues, from that deferred corporation tax gain.

Stewart Hosie: Unless my memory is playing tricks on me, at least one of the nationalised banks used those unused or deferred tax assets to pay for the asset protection scheme, which was set up—rightly—by the Labour Government in the previous Parliament. Without those unused tax assets or that deferred tax, the asset protection scheme would not have been possible, thereby imposing an even bigger burden on the banks, so I am not quite sure where the hon. Gentleman is going with this.

Chris Leslie: I am not making any particular proposals at this point; I am simply saying in new clause 3 that we should review the level of tax that banks are paying. There may be perfectly good and justified reasons for it, but we are talking about enormous sums of money. If, as some allege, the banks are playing a canny game, with sums of money that might have prevented many of the swingeing cuts that we are seeing to public services, it is incumbent on us, on behalf of our constituents, to ask those questions. If we are indeed "all in it together", as we are constantly told, we should ensure that the banks pay their fair share and do not leave the rest of us picking up all the bills.

6.15 pm

Banker bonus season is around the corner. It seems rather than showing restraint, the bankers may be showing a return to form. Last week, Deutsche bank reported its third quarter results, saying that it had set aside £4 billion in the bonus pool for its corporate and investment bank over the first nine months, amounting to around €285,000 per employee. According to the financial services recruitment firm Astbury Marsden, banks and hedge funds are stepping up their bonus buy-out offers, as they try to prise key staff from their competitors. Goldman Sachs, a Wall street bank with a large British operation, has managed to set aside around £236,000 per employee in compensation for the first nine months of the year, which is obviously less than the $527,000 that we saw this time last year, although it still demonstrates that potential pay-outs are being lined up in the City for February, when they are traditionally handed out.

Richard Lambert, the outgoing director general of the CBI, has called for a global ceasefire between banks, to stop bonuses spiralling upwards, thereby further undermining the public's trust. In his speech to the CBI's annual conference this month, he said:

"Carrying on with business as normal would seem arrogant and out of touch."

pointing out that many workers were facing job cuts and pay freezes. Those comments came as a survey found that seven out of 10 bankers expected to take home more pay this year, with half expecting a bigger bonus than last year, according to the website eFinancialCareers. City head-hunters Morgan McKinley found that 48% of financiers are expecting a higher bonus. The Centre for Economics and Business Research has predicted that £7 billion is likely to be paid out this year.

The former Chancellor, my right hon. Friend the Member for Edinburgh South West (Mr Darling), wisely instituted a bank payroll tax on banker bonuses while Labour was still in charge, netting some £2.5 billion for the Exchequer. Yet despite the coalition agreement promising to

"bring forward detailed proposals for robust action to tackle unacceptable bonuses in the financial services sector,"

nothing significant has yet materialised from the Government. In fact, worse, the Government now appear to be rowing back from their commitments to tackle excessive banker bonuses. Last Monday, the Treasury Minister in the House of Lords, Lord Sassoon, told peers that

"the Government have taken action to tackle unacceptable bonuses in the banking sector,"

although it was not quite clear what that action was. He continued:

"The Financial Services Authority is updating the remuneration code, which will ensure that bonuses are deferred and aligned with the underlying risks, and significant portions of any bonus will be paid in shares or other securities,"

which was not something that originated with the Conservatives. He went on:

"Employees in this industry will no longer receive all their bonuses in cash while leaving their shareholders, and potentially the taxpayer, exposed to the long-term consequences of the risks they take."

When asked by my noble Friend Lord Myners whether that meant that future bonuses would be "deemed to be acceptable", Lord Sassoon merely reiterated his earlier remark, saying:

"My Lords, what I said was that we have indeed taken action". [*Official Report, House of Lords*, 1 November 2010; Vol. 721, c. 1417-18.]

Mr Umunna: Has my hon. Friend noticed that in the same package of measures in the emergency Budget—this was also touched on in the comprehensive spending review Green Book—there is also provision for a remuneration disclosure scheme? In the emergency Red Book and the CSR Green Book, we were told that the Government would come forward with details on how they would implement the scheme, which would require greater transparency in the financial services sector, so that the country could see what those in the sector were earning and whether there were irresponsible remuneration packages in place. It seems that the scheme will not now be implemented in time for the bonus round that my hon. Friend has just mentioned.

Chris Leslie: Absolutely, and it is no coincidence that it is on the first page of promises in the coalition agreement—actually, the reason is alphabetical; the first page starts with b, for "banking"—that many of those promises, including the promise to tackle banker bonuses, were made. The Government have tried to suggest that they are being tough and that they will take action, but that action has not been forthcoming. I want to hear from the Minister whether the Government are now content with the current framework, in which higher banker bonuses look set to continue to be paid. If not, will he say when the Government will bring forward proposals to act? It is a specific and simple question. The House wants to hear what the Minister has to say.

The coalition agreement also promised to use net lending targets for the nationalised banks as a means of getting credit flowing to businesses, as the hon. Member for Dundee East (Stewart Hosie) has suggested. Yet last week, the Prime Minister again shifted his stance. In a meeting with business leaders in Hertfordshire, he stepped back from that pledge, and indicated that lending targets for banks would not be reintroduced. He said:

"You can go for lending agreements with the banks. The trouble is, what I find with lending agreements is that they will promise to do a certain amount of lending to one sector, but they'll shrink it somewhere else."

His comments were followed by similar remarks from the Minister with responsibility for small businesses at the Department for Business, Innovation and Skills, the hon. Member for Hertford and Stortford (Mr Prisk). Last Monday, the Government published their response to the Green Paper consultation on financing the economic recovery, and it was conspicuous by its absence that no mention was made of net lending targets. Have the Government softened their position on the pursuit of net lending targets to business?

During the summer, the Chancellor said that he would be exploring the costs and benefits of a financial activities tax on profits and remuneration. He repeatedly said that he would consider such a levy on the total profits and remuneration of financial institutions rather than on individual transactions, and the European Commission backed the financial activities tax, but when it was brought forward for discussion at the EU Council summit on 28 September, Ministers seemed to be rowing back from even that pledge. Will the Minister tell the House where the Government stand on the proposal for a financial activities tax? The rumour was that the Government did not want that idea going forward to the G20 summit in Seoul this coming weekend. If so, why?

Many of our constituents will be aware of the proposal from 50 or so charities and other voluntary bodies for a financial transactions tax, which is slightly different from a financial activities tax, and would apply to a wide range of individual capital movements, including equities, bonds and derivatives. That Tobin tax or Robin Hood tax deserves a thorough review, although clearly there are arguments for and against with regard to the details and the relative impact on London as a centre for financial transactions. Nevertheless, the Government have singularly failed to respond to that campaign so far. Any review of banking taxation would need to analyse the case for a financial transactions tax far more rigorously as it is a serious proposition meriting a serious response. All in all, the banks' tax position needs a far more serious review than the piecemeal commitments offered by Ministers so far.

Justine Greening: Will the hon. Gentleman clarify whether the Labour party supports a financial transactions tax?

Chris Leslie: We want to review it. Does the hon. Lady? Is she interested in looking at the proposition, or is she ruling it out completely?

Justine Greening: I note that the hon. Gentleman failed to answer my question. I will respond to him broadly when I have heard the rest of the debate, and when I have a chance to respond to his new clause.

Chris Leslie: I thought it was a simple question. I thought the whole point of a debate was to exchange views. I am happy to review the financial transactions tax. It is an important proposition, and it deserves serious consideration. The Minister does not seem to know whether she is allowed to review it. Perhaps some inspiration has come down from on high. There is scurrying around, and I see that the Chancellor has been paging her officials. I am sure that inspiration will come to her shortly.

Will the Minister say whether there should be a change in tax policy to rectify some of the loopholes, such as those in corporation tax? Should there be a further review of, for example, the bank payroll tax? Should banks have their right to carry tax losses forward limited so that they expire after a specific time, or would that be detrimental? Clearly, the Government's feeble attempt to recoup something from the banks through the banking levy alone is barely denting their balance sheets and is dwarfed by, for example, the deferred tax assets that the banks are wielding according to the report.

Ministers should concede that the whole matter needs clearing up urgently if they are to have any hope of preventing widespread public cynicism, discontent and anger. In short, as things stand, all we see from the Government is a puny banking levy, banks still using corporation tax loopholes at taxpayers' expense, promises on bankers' bonuses unfulfilled, promises on banks' net lending targets more distant than ever, and inaction on reforms to the banking taxation system. The taxpayers of this country deserve better.

Chris Evans: Since coming to the House, I have seen a lot of history being rewritten. We are told whenever we stand in the Chamber that we must apologise for the economy, but to coin a phrase from *The Sun* on the day after the general election in 1992, "It was the banks wot did it." There is widespread public anger with the banks, and people believe that they are getting away scot-free.

At my surgeries, in my local Labour party and out in the streets, people ask me why our nurses and teachers are bearing the brunt of the deficit—what about those casino bankers? If it were not for their reckless practices, why did the then shadow Chancellor just before the general election commit to follow Labour's spending plans for two years if we were so bad at running the economy? The simple fact is that the banks have not paid the price for the deficit that they helped to run up.

The new clause is not about destroying the banking system; it is about strengthening it, which means changing it and making it mixed. I know that this is outwith the amendment, but I would like a mutual element in the

[Chris Evans]

banking system, and that could start with Northern Rock. The simple fact is that the banks received £1 trillion. Can anyone imagine what £1 trillion looks like? Can anyone imagine what public works we could do with £1 trillion? Projects in my constituency are crying out for money. The Newbridge Memo, the memorial hall, needs restoration. So much could be done with a tiny part of that £1 trillion. But the bankers remain blasé and people think they are plain arrogant.

If no one believes me, let them look at Lloyds TSB, which this week appointed a chief executive. I will not embarrass myself by trying to pronounce his Spanish name, but we are told he will receive a package of £8 million. Who is worth £8 million, and what message does that send to people who are struggling to get by? It sends the message that the Government do not care how much damage bankers have done—they can carry on as they have been. When we read about such figures, what are we saying to people on the ground? They are the ones who must pay.

My hon. Friend the Member for Nottingham East (Chris Leslie) talked about bankers' bonuses, and I wholeheartedly agree that something must be done to rein them in. However, I have been a high street banker. I worked for Lloyds TSB, and I know for a fact that someone working as a personal account manager or personal banker is desperate for their bonus at the end of the month, because it makes up their wage. If we rein in the big City bonuses, we must think about the people on the ground. Let us not rein in their bonuses. They still have to pay their bills, and we must think about that. I ask the Government to consider the new clause because the banks really must pay their fair share.

Mr Umunna: I endorse the comments made by my hon. Friend the Member for Islwyn (Chris Evans). I, too, hear similar sentiments expressed on the streets throughout my constituency.

Opposition Members are not under any illusion that banker-bashing, as it has been called, or reining in bonuses alone will sort out the problems with the financial services sector. It is important to reform the way it operates generally, which is why I welcome the banking commission that the Government have set up. Its terms of reference are sensible and, as a member of the Treasury Committee, I look forward to providing some input to that.

There are legitimate questions to be answered on whether the financial services sector is doing what the Chancellor said in the emergency Budget he would require it to do. He said:

> "I believe that it is fair and right that in future banks should make a more appropriate contribution, reflecting the many risks that they generate."—[*Official Report*, 22 June 2010; Vol. 512, c. 175.]

That is why I welcome the new clause. We should reflect on the huge contribution that the British public have had to make to the financial services sector since September 2007 and before.

6.30 pm

Of course, some banks were taken into public ownership, including Northern Rock, Bradford & Bingley, Royal Bank of Scotland and Lloyds HBOS, but we are not talking only about the measures implemented by the previous Government on the eve of the financial crisis to nationalise or take a public stake in those banks. A package of measures was also put in place for the many other banks that were not taken into public ownership, as my hon. Friend the Member for Nottingham East (Chris Leslie) has mentioned. In addition to the special liquidity scheme, there were the inter-bank lending guarantees and the banning in 2009 of short selling practices.

All those factors contributed to helping the entire sector and, as a result, those banks are still operating today. Their balance sheets are looking far healthier and, during the summer, the five biggest players in the sector reported half-year pre-tax profits of more than £15 billion. So the good times are back in the City. My hon. Friend also mentioned the predictions of the bonuses that are likely to be paid in the current round. Over the weekend, for example, we read that at RBS some £2.1 billion has been accrued to pay staff salaries, benefits and bonuses, compared with £2.2 billion a year ago, at a time when revenue has dropped from £9 billion to £6.3 billion.

I am puzzled by the package of measures in the CSR Green Book that tell us that the banking sector will be required to make a greater contribution. If we look at the banking levy, for example, we see the sum of £2.5 billion being bandied about as the amount that we can expect the banks to pay. However, I have been told in an answer to a written parliamentary question that the amount coming in from them will be £1.15 billion in 2011-12, that it will be £2.32 billion in 2012-13, and that it will reach £2.5 billion only in 2013-14 before falling back to £2.4 billion in 2014-15. My right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson) has pointed out that, by the end of that four-year period, the banks will be paying less than all the parents who are giving up their entitlement to child benefit, thanks to the measures announced by the Chancellor at the Conservative party conference on 4 October.

I would also be interested to hear the Minister's comments on the fact that the banking levy is to be implemented in such a way that the banks will not have to pay it on the first £20 million of taxable liabilities. It is extraordinary that they appear to be receiving a tax break before the tax has even been introduced. Will she also comment on the views expressed by the International Monetary Fund on the rate at which the levy is to be imposed? The IMF is clearly of the view that the banking industry in general has been under-taxed, and it has called for the levy to be tripled so that it could bring in at least £6 billion a year. Just think what we could do with the extra moneys! We could reinstitute the future jobs fund, for example.

The IMF's proposal is quite moderate when we consider what Oxfam is proposing, however. It argues that the levy should be imposed in such a way that it raises £20 billion. That is not even being proposed by Opposition Members at present. I ask the Minister to reflect on whether the measures that appear in the CSR Green Book under the heading "Everyone making a fair contribution" will do as they say they will do—namely, require the banking sector to make a contribution that is proportionate to all the problems it has caused for our constituents.

The Prime Minister will be attending the G20 summit in Seoul this week. Looking back at the G20 summit in April 2009, I believe that we as a country can be proud that we hosted that summit, and that it resulted in a package of measures that had a major effect on the way in which the financial services sector operates. Lord Turner introduced proposals on remuneration in the industry, which were tabled to all the G20 countries. Many of those proposals were adopted. The tax havens that had been operating around the world were clamped down on, and I believe that the banking levy was first proposed in an international context at that summit. Will the Minister tell us what leadership we can expect from the Prime Minister at Seoul this week? What measures will he argue for, and what can we expect to come out of that G20 summit that will make the financial services sector cease the reckless behaviour that led to the global financial crisis and, above all, contribute to paying down the deficit, on which the Chancellor is so fixated?

Nic Dakin (Scunthorpe) (Lab): My right hon. and hon. Friends have asked a number of questions that deserve detailed answers. The new clause calls for a review of the total level of taxation on the banks and the financial services sector before the setting of the 2011 Budget, and at its heart is the simple question of accountability, transparency and openness. It must be made clear to the people of this country that the banks are paying their fair share. It was, after all, the banks that got us into this situation. At a time when this Government are taking so much away from honest, working people—particularly those with families—it is crucial to demonstrate that we are all in this together and that the banks are paying their fair share.

People are facing an increase in VAT, students are facing a trebling of tuition fees, the education maintenance allowance is being taken away, and child benefit is being capped, frozen and even taken away from many people. With all those massive cuts in public spending, it is crucial that we should know for certain that the banks are paying their fair share. That is all that the new clause endeavours to achieve. We want to make it clear that the banks are not continuing with their present bonus culture, and that they are making a fair contribution to the country. After all, it was the taxpayers who delved into their pockets to keep the banks afloat. This is a simple proposal, simply put, about openness, transparency and accountability, and I can see no good reason not to support it. It would give the people of this country great confidence in the Government if they were to accept this proposal tonight.

Justine Greening: The new clause relates to the taxation of the banking and financial services industry, and proposes that the Treasury publish a report before the 2011 Budget examining the level of taxation on those sectors. Before I discuss the new clause directly, I think it would be helpful to set out some of the background and context relating to the Government's approach to taxation of the banking sector. The Chancellor set out clearly in the recent spending review the Government's objective in taxing the banking industry. We inherited the largest peacetime deficit in UK history, and, during these difficult times it is only right that steps are taken to ensure that the banks pay a full and fair contribution.

I listened with interest to Opposition Members, who appear to have a very blinkered perspective of regulatory issues. They skimmed over their own Government's part in the regulatory failures that led to the banking sector crisis. It is worth going back to some comments made by the previous Prime Minister, the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown). I know he is now making speeches in the House again, but it might have been helpful if he had participated in this debate, given his own involvement in these matters. When opening Lehman Brothers' new European headquarters in 2004, he said:

"I would like to pay tribute to the contribution you and your company make to the prosperity of Britain".

He also said that Lehman Brothers

"has always been an innovator, financing new ideas and inventions before many others even began to realise their potential."

The last Government clearly had a huge role to play in that the regulatory system they brought in during their term in power absolutely failed the British public.

Several hon. Members *rose—*

Justine Greening: I will give way. I see that Labour Members have now perked up from when they were skimming over their past, as they were so clearly intent on doing. It is more difficult for them, is it not, to hear the failures of their Government being set out so clearly? Let us not forget that the last Prime Minister, back in 2007, described this as a golden age. He obviously felt that the regulatory system he had put in place was a great one, but that was subsequently proved not to be the case.

Mr Umunna: Does the Minister not accept that there was a move towards a light-touch regulatory model across the entire political system? I am well aware of this because I used to work in the industry myself, and I do not recall the Economic Secretary or any of her colleagues jumping up and down when the Financial Services and Markets Bill went through this House, complaining that it did not introduce stronger regulation. Secondly, did she, like me, hear the comments of the Governor of the Bank of England, Mervyn King, at the Treasury Committee this summer? He was asked whether, if the new regulatory model championed by the Minister had been adopted, the global financial crisis would have been averted—and he said no.

Justine Greening: If the hon. Gentleman checked the *Hansard* of our debates on the original tripartite regulatory system, he would see that we did raise concerns about the nature of that system. We were told that our warnings were wrong. It is not acceptable for Labour Members simply to wash their hands of the regulatory system that they now clearly feel absolutely failed.

In fact, we have to respond to the regulatory failures of the past by returning the role of supervising the banks to the body charged with the overall monitoring of the economy—the Bank of England. That is why we have also set up the Independent Commission on Banking to advise on the reforms necessary to ensure that we are better protected against another banking meltdown in the future.

Stewart Hosie: On that point, I entirely agree with the Minister. A fundamental part of this is the new capital requirements under Basel III—some 7% higher for at-risk banks. Does she not agree, however, that a review of bank taxation, along with the Bank commission and the new Basel III regulations, would be sensible to ensure that we have the balance in the round between taxation and capitalisation, risk and regulation, and supervision both at the UK level and with respect to this rather complicated European structure?

Justine Greening: The hon. Gentleman is right that the bank levy itself needs to be viewed in the context of overall policy. He is right that it is not just about the bank levy; we have to look at it in the light of the broader changes around regulatory reform and the work of the Independent Commission on Banking. I will shortly come on to explain what that means for new clause 3.

We know that we have to tackle the regulatory failures of the past. We also know that it is right that banks make a contribution in respect of the risks they pose to the UK economy, but there is no benefit in taking action that would simply drive banks abroad. As the hon. Member for Islwyn (Chris Evans) pointed out, hundreds of thousands of jobs across the UK depend on Britain being competitive in this industry. For the financial services sector as a whole, as of June 2009, it had 1 million employees. The jobs are not just in London and the south-east, as there are nearly 100,000 people employed within the financial services industry in the north-west, while there are between 69,000 and 70,000 people employed by that industry in the east of England and about 90,000 in Scotland. Although there have been serious failures in the past, we also have to remember that many of the jobs that are part of this overall sector do not bring in high incomes, as the hon. Gentleman pointed out.

Chris Leslie: I am following the hon. Lady's logic. She is saying that we do not want to do anything that would drive the banks away—that old chestnut again—but is she seriously saying that the proposal in the new clause to have a review of the level of taxation would be enough to frighten them all offshore? Is she really saying that?

6.45 pm

Justine Greening: I am sure that the hon. Gentleman is following my comments closely. I was setting out the context for the situation in which we find ourselves. I have pointed to serious regulatory failure, which needs to be sorted out, and the fact that we have inherited a huge fiscal deficit, which also needs to be sorted out. In that context, we should recall that the previous Government had said that they would not introduce a bank levy at the national level and that they wanted international agreement before any such levy were put into place. At that time, we argued that we should get on with that, as a Government, and not necessarily wait for international agreement. The Labour Government rejected that.

In our first Budget, we decided to introduce a permanent levy on banks, which we expect to generate about £2.5 billion of revenue each year. The levy reflects the potential risks that banks pose to the UK's financial system and the wider economy, and it will ensure that banks make an appropriate contribution to deficit reduction that balances fairness with the competitiveness of the UK banking sector. It is also intended to encourage banks to move away from risky funding models that threaten the stability of the financial sector.

We were the first country in the G20 to take such action—the hon. Member for Streatham (Mr Umunna) talked about leadership, and I think this is leadership—and we have been joined by France and Germany, which made announcements on bank levies in June. Germany's plans for its bank levy have been before Parliament there, while France outlined the details of its bank levy at its budget in September. Hungary, Portugal and Austria have since also outlined plans to introduce bank levies, while Sweden has already introduced a levy. Our bank levy is a permanent one and a regular source of revenue—unlike the one-off bonus tax of the previous Administration.

Mr Umunna: What does the Minister say to the International Monetary Fund? I have already mentioned the IMF's views on the level at which this levy should be imposed. Conservative Members are fond of quoting the IMF to us time and again, yet the IMF takes the view that at least £6 billion a year can be raised from this levy. Does she agree with the IMF and, if not, why does she think it is wrong?

Justine Greening: The IMF has expressed its own views around levels of taxation. In the broader international context, which the hon. Member for Nottingham East (Chris Leslie) mentioned, there are questions about the introduction of a financial transaction tax and a financial activities tax. Unlike the hon. Gentleman's party, we were prepared to introduce a bank levy nationally, but there are also discussions taking place about international measures that might be taken.

In fact, over and above the bank levy, the Government are taking a tougher approach to tackling tax avoidance by the banks. Prior to the spending review, only four of the top 15 banks had adopted the previous Government's code of practice. We have asked Her Majesty's Revenue and Customs to work with banks to make sure they adopt and implement the code by the end of this month, thereby making the commitment to comply with both the letter and the spirit of the law, and not to engage in or promote tax avoidance.

New clause 3 provides:

"The Treasury shall publish a report before the 2011 Budget examining the level of taxation on the banking and financial services industry."

We have had some sort of rationale for it, but I have to say that I see little merit in making such a report in isolation. The report itself would be no substitute for the overall strategy for improved regulation and the complementary bank levy ensuring banks make a contribution in respect of the risk they pose to the financial system and wider economy. As set out in the spending review, the Government will continue to monitor tax receipts from the banking sector to ensure that banks make a fair and growing contribution to the public finances as the economy recovers.

In addition, there are, of course, already statistics available on the amount of tax revenue derived from the financial services sector. Historical figures for corporation tax receipts paid by several broadly defined business

sectors are regularly updated and published on the HMRC national statistics website. To improve predictability, it is important that the Government provide clarity on the direction of tax policy, and the vehicle through which that is best delivered is the Budget itself. The new clause would require the Government to produce a superfluous report in advance of the Budget and therefore in advance of any announcements that the Chancellor might wish to make about tax policy generally that might impact on the banking and financial services industries.

The Opposition want a report on the banking industry. What the Government want, and what we have, is a strategy to ensure that the financial services sector pays its fair share. We have been clear about what we want to achieve, not only through the bank levy but through the code of practice, and by fixing the banks' ineffective regulatory system—the system established by the last Government, who let our country down so badly. The new clause does nothing to support those aims, and I ask the hon. Member for Nottingham East to withdraw it. If he is not willing to do so, an apology to the British people for the mess of a regulatory scheme that he left behind would not go amiss.

Chris Leslie: What cheek the Minister has to start claiming, in that revisionist way, that her party was always saying that it wanted heavier regulation of the banks in the 1980s and 1990s, and that the Labour party was always advocating the lightest of light touches.

The Minister has completely failed to address the substance of the new clause. We were not even arguing for a change of policy, although I think that we may deal with that on another occasion; we were simply asking for a review of the levels of tax paid by the banks. The Minister did not address that. Nor did she address the issue of bankability. My hon. Friend the Member for Islwyn (Chris Evans) rightly distinguished between lower-paid employees in the banking sector and the high-rolling, highly paid bonus recipients who are in a league of their own.

The Government have taken no action on banker bonuses, despite all their rhetoric. As my hon. Friend the Member for Streatham (Mr Umunna) pointed out, although the Government had claimed earlier that they wanted to see the banks paying their fair share, they were quite happy to set the banking levy at a puny level. It was interesting to note that the Minister body-swerved the point about the IMF's suggestion that the levy should be higher, and I think that we should examine that methodology on another occasion.

My hon. Friend the Member for Scunthorpe (Nic Dakin) rightly observed that new clause 3 simply seeks transparency and accountability, which must be an important part of proving that we are genuinely all in it together, as the Government like to claim. The Government are going to hit the public generally, cutting services, abolishing education maintenance allowances, taxing child benefit and raising VAT; yet they are unable to do anything about the banks.

We accept that the Independent Commission on Banking is investigating the matter and that regulatory reform is needed, but why can we not have a review of the level of taxes? That is all that we are asking for. What are the Government scared of? They have not given us an answer, and I think that we should divide the House.

Chris Bryant (Rhondda) (Lab): On a point of order, Mr Deputy Speaker. I have never seen you in the gym, although you may visit it regularly, but when I was there earlier this evening, the Division Bell did not ring. I do not know whether it did not ring in other parts of the estate, but I hope that it will ring on this occasion—although I am here now.

Mr Deputy Speaker (Mr Nigel Evans): Funnily enough, that is a point of order for me. It may be the first that I have taken.

I do go to the gym, although I do not go to the one to which the hon. Gentleman has referred. I thank him for giving me notice of his point of order. I have asked for someone to be in the gym in time for the next Division in order to ascertain whether the bells are working normally. The hon. Gentleman should be reassured that the matter is being investigated as we speak.

Question put, That the clause be read a Second time.

The House proceeded to a Division.

Mr Deputy Speaker: Order. It has been brought to my attention that there is a problem with the Division bells not only in the gym, but in other parts of the parliamentary estate. I am therefore giving Members a further two minutes to vote in the current Division. In the meantime, may I ask that the bells be investigated in Norman Shaw North as well as in the gym? I also advise all Members to be attentive to the monitors as well as the Division bells, because there may be more Divisions this evening.

The House having divided: Ayes 213, Noes 306.

Division No. 112] **[6.54 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, Heidi
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, rh Mr Gordon
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Ronnie
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Docherty, Thomas
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive

Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hamilton, Mr David
Hanson, rh Mr David
Healey, rh John
Hendrick, Mark
Heyes, David
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Johnson, Diana
Jones, Graham
Jones, Mr Kevan
Jones, Susan Elan
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Smith, rh Mr Andrew
Smith, Angela
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watson, Mr Tom
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Stephen Pound and Lilian Greenwood

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Coffey, Dr Thérèse
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mark
Gauke, Mr David
George, Andrew
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver

Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lord, Jonathan
Luff, Peter
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wright, Jeremy
Wright, Simon
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Bill Wiggin and
Mark Hunter

Question accordingly negatived.

New Clause 5

DEFINITION OF 'INCAPACITATED PERSON'

'(1) The Taxes Management Act 1970, section 118 is amended as follows.

(2) In subsection (1), the definition of "incapacitated person" is substituted as follows:

"'incapacitated person' means any person under the age of 18 years or who, within the meaning of section 2(1) of the Mental Capacity Act 2005, lacks capacity in relation to tax or financial matters.".'.—*(Chris Leslie.)*

Brought up, and read the First time.

Chris Leslie: I beg to move, That the clause be read a Second time.

New clause 5 takes us into completely different territory from that of the previous debate, and it picks up on a discussion we had in Committee about the legal definition of incapacitated persons. Committee members were concerned by the outdated nature of some of our tax law, under which antiquated terminology can often still find its way into our tax regime through extracts from statutes simply being cut and pasted into today's legislation.

One such anomaly concerns a definition in the Taxes Management Act 1970, which I am told is still very much a cornerstone of our tax law. It defines an "incapacitated person" as

"any infant, person of unsound mind, lunatic, idiot or insane person".

Those terms of reference are clearly insulting and demeaning to people who would be regarded as incapacitated. Not only is it out of date for those terms of reference to be extant in our legislation, but it is hurtful to those individuals who may suffer from incapacitation to be categorised and described in such derogatory terms. That definition derives from the 19th-century lunacy Acts and today appears grotesquely at odds with modern terminology, and this insulting state of affairs ought to have been reformed many years ago. That definition relates to section 72 of the 1970 Act, which says that an incapacitated person's tax liabilities should apply to their

"trustee, guardian, tutor, curator or committee"

as if to a non-incapacitated person.

[Chris Leslie]

In Committee, we pressed Ministers to concede this small and surely non-controversial reform. We did not feel that it was a matter of party politicking; after all, it should not be a dividing line between the parties. The new clause is simply and straightforwardly about replacing and modernising the definition of an "incapacitated person" and aligning it with the meaning in the more modern and more appropriate Mental Capacity Act 2005, whose far more flexible and sophisticated definition is less hurtful in tone and more precise in its interpretation. It states:

"For the purposes of this Act, a person lacks capacity in relation to a matter if at the material time he is unable to make a decision for himself in relation to the matter because of an impairment of, or a disturbance in the functioning of, the mind or brain."

That is a far more appropriate definition.

By updating the definition, we would also update provisions to encompass new arrangements relating to trusteeships. For example, the new arrangements would also modernise those of donees of powers of attorney, who would be properly included in the legal definitions, as well as those of Department for Work and Pensions appointees. I should like to thank the Chartered Institute of Taxation's low incomes tax reform group—LITRG—for highlighting the issue consistently. It has been championing this minor technical change in the law for at least seven years and has been promised on numerous occasions that, "A tax law rewrite is just around the corner", "More time is needed for consultation" and so on. I gather that it has been having discussions with officials, following our discussion in Committee. Although LITRG may have cause to trust the Minister's officials, I believe that time is running out for this change to be made. When the Minister was unable to concede on this point in Committee, I said that we would try to have this debate on the Floor of the House because of the importance and urgency of making this reform.

It is a pity that the Minister has not tabled a Government new clause on Report, but I shall wait to hear what he has to say. We did try to reflect on the points that he raised in Committee. The provision that we had tabled then did not refer specifically to children and we have rectified that by making the appropriate change for the Report stage. As far as I can see, this new clause has no revenue implications and there is no clear reason for any Member to dispute the need to modernise this terminology. There is clear evidence that people are hurt and insulted by the terminology from a bygone age. It therefore seemed sensible to put this point again on Report, and I urge the Minister to accept the new clause.

Mr Gauke: As we have heard, new clause 5 seeks to change the definition in the Taxes Management Act 1970 of an "incapacitated person". I appreciate that the purpose of the new clause is not to change the scope of the definition, but to ensure that it better reflects the modern understanding of an "incapacitated person". Members of the Committee will recall that we debated a similar proposal at the end of the Committee stage. As I explained then, a definition is required to ensure that the obligations of the 1970 Act properly fall to those acting for children or for those with mental health problems. The existing definition can be traced back to at least 1880, and I reiterate that I agree that the wording used, such as "lunatic" or "idiot", no longer feels appropriate, belonging as it does to the Victorian age, rather than to today's times.

7.15 pm

Before I address the wording used in this new clause, I wish to reiterate to Opposition Members that I welcome this issue having been raised and am willing to take action. That is not an empty promise: I asked my officials to explore quickly what they thought was possible with the low incomes tax reform group. We now better understand what that group wants to achieve and the complexities involved. My officials are working with LITRG and are willing to listen to it and to others about how best to achieve these objectives.

LITRG thought that it should be feasible to change the definition in the next year or two, and I am confident that the Government can work to that timetable in a carefully considered way. In contrast, I do not think that the new clause achieves its objective, nor do I think it is the most appropriate way to make this change. It, like its predecessor debated in Committee, seeks to link the 1970 Act definition of an "incapacitated person" to the Mental Capacity Act 2005.

The provision debated in Committee failed to take into account the fact that children were also included within the existing legal definition of an "incapacitated person". The revised new clause seeks to remedy that position by including

"any person under the age of 18".

Once again, I point out that the provision remains deficient, as the definition would inadvertently include Scottish people between the ages of 16 and 18, who are not included within the current definition for most purposes of the 1970 Act. I do not think that the reclassification of that group in a way that is contrary to the position in Scotland is the intention of Labour Members.

In addition, our preliminary discussions have revealed that the reference to the 2005 Act may well create a different definition in practice. The current definition refers to a person's general mental condition, whereas this provision would depend upon an analysis of a person's capability at a specific point in time, and the implications of such a change may be significant. It would be irresponsible to make such a change without considering these potential differences thoroughly with the appropriate representative bodies.

The repeated technical difficulties demonstrated in the new clauses serve only to reinforce the point I made in Committee that such changes should not be made in haste, for fear of inadvertently moving groups of persons in or out of the definition. As hon. Members will be aware, the Treasury launched a new approach to tax policy making alongside the June Budget.

Sheila Gilmore: Earlier today I made the point, on another matter, that it may be unwise to reform in haste and repent at leisure. I am very pleased that the Minister has now decided to agree with me.

Mr Gauke: I am delighted if that is how the hon. Lady interprets my remarks, and if that pleases her, it pleases me.

In June, we produced our paper on the making of tax policy and we believe that it is very important to adopt a deliberative and consultative approach and, wherever possible, to consult thoroughly. We wish to avoid the experience of making reactive and piecemeal policy announcements that have been insufficiently thought through and result in unexpected consequences—we saw too much of that under the previous Government. Instead, we believe that appropriate consideration should be given to changes, thus providing an opportunity for those affected to comment and have certainty about our decisions. Any change on this matter should go through that process to ensure that we can come to this House with legislation that will work as intended.

Let me be clear that I agree that the wording in the current definition is outdated and that I am committed to delivering change. As I have said, my officials have already started to work with LITRG and will work with other groups that have the expertise to ensure that we get this right. The hon. Member for Nottingham East (Chris Leslie) has alluded to the fact that LITRG is happy to work with Treasury officials and accepts the need to get this right. I believe that it will be possible to deliver change to the definition in the next couple of years along the timetable that LITRG accepts.

I ask the hon. Gentleman not to press his new clause to a vote, but I hope that he will engage with us on how to make the change behind the clause that we both agree is necessary. I am grateful to him for raising the issue in Committee and today. I agree that this should not be a matter of party political dividing lines and we will seek to address it. It has been of long-standing concern, but the Government are determined to address it, so I ask him to withdraw the clause.

Chris Leslie: I am impressed that the Minister has taken the time to encourage his officials to meet LITRG. I am pleased that he agrees about the outdated nature of some of these archaic terms: "idiot", "lunatic", "insane" and so on should not be part of our modern legislative lexicon. I am interested that yet again he manages to find a flaw in the drafting. It is almost like one of those circular nightmares: no matter what point any Opposition party makes to any Government, there is always a desire to resist by pointing out drafting and terminological problems. I think that the Minister accepts the spirit in which we have been trying to raise this issue.

I agree entirely that it is important to take whatever time is necessary to frame the definitions correctly in law, but we are not talking about designing a whole new regulatory regime for financial services or some convoluted way of taxing child benefit. We are simply talking about a minor change to modernise the terminology in tax law. I am still slightly sceptical about the argument that we need to take another couple of years to do so.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): Does the hon. Gentleman agree that it is important that any proposals work for the whole of the UK and not just for one or two parts of it?

Chris Leslie: Indeed, and that is probably why on this occasion I am happy to accede to the Minister's request that Treasury officials be given more time to frame the change. However, I think that the patience of the House will be tested if we go for another seven years with these terms still in statute as we go through Finance Bill after Finance Bill after Finance Bill—we are going to have three, after all, this year, with another possibly coming shortly, although it is up to the Minister when that happens. I do not want to be back here tabling similar amendments. I hope that during the Minister's tenure, before he is promoted to even higher office—I accept that that is probably imminent, whenever the reshuffle might come—he will make a commitment, at least, to show that this was one reform that he was able to champion. I would be grateful for that. On that basis and in that hope, I am happy to beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

Clause 4

Seafarers' earnings

Chris Leslie: I beg to move amendment 1, in page 7, line 40, leave out clause 4.

In Committee, we discussed the implications of clause 4, which I am happy to discuss again. It seeks to extend to seafarers resident in the European economic area the same 100% deduction from income tax of their earnings from employment as a seafarer wholly or partly outside the UK during an eligible period. I know that this is something about which many Members of the House will be very concerned.

At present the tax relief is available only to those seafarers who are ordinarily resident in the UK, but there are clearly seafarers resident in other EEA states yet not ordinarily resident in the UK who might also warrant the seafarers' earnings deduction. The measure is listed in the Budget Red Book as costing the Exchequer £5 million annually and we debated the technical details of the clause, such as the navigation of waters beyond the UK continental shelf, how long would be spent away from the UK and how many seafarers are involved in the concession. The Minister said that it was in the order of 16,000.

The Minister also helpfully explained that the clause was brought forward as a result of the European Commission's decision to challenge the compatibility of seafarers' earnings deductions with the UK's treaty obligations and to comply with our EU and EEA associations. It is welcome that the Conservative party is rushing to legislate to comply with these European arrangements. I know that some hon. Members—including the Minister of State, Foreign and Commonwealth Office, the hon. Member for Taunton Deane (Mr Browne), who is sitting on the Front Bench opposite—will be more pro-European than others, but he seems to be persuading the Conservative party towards the pro-European stance. It is interesting that there is no dissent from that interpretation.

In Committee I raised in particular a specific and contemporary issue that has been a subject of some controversy: the impact on the mackerel fishing dispute between UK and Icelandic fishermen. The clause is highly relevant and might have a significant bearing on that dispute, because if enacted it would grant to the Icelandic fishermen—and the Norwegians for that matter—a set of tax relief arrangements that would be very useful to them. I asked the Minister a series of

[Chris Leslie]

questions on that, but he merely asserted in his indomitable way that the clause was "not relevant" to those discussions. So, I want to try again.

Will the Minister say what discussions have taken place between the Government and the Governments of Norway and Iceland in the drafting of the provisions and in what respect they will be reciprocated for UK-resident seafarers in those countries? Has the Minister spoken with his counterparts in the Department for Environment, Food and Rural Affairs, the Scottish Executive—I know that some hon. Members will be interested to learn about that—and the FCO regarding the impact that the change might have on the sensitive negotiations between the EU, Norway and Iceland over the mackerel quota? I gather that the practice of the Icelandic fishing community unilaterally to declare a larger catch quota for valuable fish, risking the sustainability of fish stocks and disrupting previously settled agreements, has caused consternation in some quarters. Is it therefore appropriate for the Treasury to grant this tax concession to Icelandic fishermen while there is such great sensitivity?

On Friday, I understand that the Icelandic ambassador to the UK, Benedikt Jonsson, met the chief executive of the Scottish Fishermen's Federation and others to discuss the mackerel dispute at a meeting in Aberdeen organised by the Icelandic consulate. I gather that "frank views", as they are often called, were exchanged about what constitutes responsible management of that mackerel quota. Iceland continues to assert its right to catch a significantly increased quota this year outside the bounds of the international agreements. What are the UK Government doing to bring the dispute to a sensible conclusion? Would it not be wise to pause on the gifting of the seafarers' earnings deduction to the Icelandic fishing community until such time that the question over the fair fishing of mackerel stocks is resolved?

Other issues might be relevant, too. Are we, for instance, still confident that the relationships between the UK and Iceland are ensuring that our fiscal position is protected? For example, the UK ought to be getting money back from the collapse of Icesave and other Icelandic banks, but there have been recent suggestions, particularly resulting from protests in Iceland, that there might be some delay in repaying foreign creditors with the priority that is deserved. Is it sensible to be offering tax concessions to Iceland when such negotiations are going on? I understand that there are also some question marks over whether the EEA treaty arrangements necessarily require such a tax concession to be ceded to the Icelanders.

I have asked a number of questions and I wonder whether the Minister can address them. They are not necessarily at the top of people's minds in every constituency in this country, but there are some corners of the country where this is a big issue. I would be grateful for the Minister's attention to it.

Mr Gauke: As we have heard, amendment 1 seeks to remove clause 4 on the seafarers' earnings deduction from the Bill. Doing so would prevent the extension of seafarers' earnings deductions to EEA resident seafarers. By way of background, it is worth pointing out that in November 2008 the European Commission sent a pre-infraction letter on this matter. The Commission stated that the rules for seafarers' earnings deductions are incompatible with the EU rules because the deduction is available only to seafarers who are ordinarily resident in the United Kingdom. After due consideration of the Commission's letter, the previous Government decided to respond by enacting a change in the law. Consequently, last year they said that they would legislate to extend the rules for this deduction, enabling European economic area resident seafarers from outside the UK to claim. The previous Government committed to implementing the change from April 2011.

7.30 pm

Given the expectations that were set by the previous Government, we decided that it was better to enact the changes this year. After the election, we decided to follow the same approach as the previous Government in response to the Commission's letter, although we postponed legislating until this second Finance Bill of the Session. In July, the draft clause and explanatory notes were published along with the rest of this Bill. Only one response was received, from a professional body, and it did not raise any concerns about competition effects on UK seafarers. Other discussions with interest groups exposed no objections to the extension of the rules because it was felt that it would not have a significant impact on UK resident seafarers.

Opposition Members are concerned that making such a change will benefit Icelandic and Norwegian fishermen, who compete with UK fishermen for their catch. In particular, the hon. Member for Nottingham East (Chris Leslie) raised the matter of the so-called mackerel war. Although I understand such a position, the clause will make no significant difference. The Government estimate that a maximum of 1,500 EEA resident seafarers will become entitled to claim seafarers' earnings deduction, at a potential cost of £5 million per annum. The numbers and amounts involved are relatively low because few non-UK resident seafarers pay income tax on their earnings in the United Kingdom. Non-resident seafarers are liable to UK tax on earnings in UK waters—that is within 12 miles of the shore—or if they visit a UK port. In reality, that means that they would probably be working in the UK or for UK businesses. Even if there were a liability to UK tax for such individuals, most double taxation agreements would give primary taxing rights to the home state, making the application of the deduction redundant.

In practice, we estimate that about 4,000 non-UK resident seafarers pay income tax in the UK. As many of those are not EEA residents, we estimate that the extension of the entitlement to EEA residents would enable a maximum of 1,500 non-resident seafarers to claim the deduction.

The Icelandic mackerel fishermen are most unlikely to be subject to United Kingdom taxation. First, many fishermen are self-employed, and so outside any entitlement to the deduction. Secondly, Icelandic fishermen would be entitled to claim the deduction only if they were employed to fish in UK waters or if they visited a UK port. It is unlikely that there are many Icelandic fishing vessels operating within 12 miles of the UK or landing their catch at our ports. Even if they did so, such individuals would still be subject to the double taxation agreement, which in almost all cases gives Iceland primary taxing rights over its resident seafarers.

This Government take the mackerel fishing issue extremely seriously. The Under-Secretary of State for Environment, Food and Rural Affairs, my hon. Friend the Member for Newbury (Richard Benyon) has been engaging with his counterparts on this matter across Europe. We are disappointed that no agreement has yet been reached and we find the continuing action by Iceland unacceptable. We will consider further action in due course.

The hon. Member for Nottingham East seems to have forgotten why this measure is being put in place and what the consequences are of not enacting it. If we passed amendment 1, the Commission would certainly take a significant and immediate interest, which could result in substantial uncertainty for UK seafarers. If we lose before the European Court of Justice, the result could be a fine from the European Commission of at least €11 million, and we would still have to enact the measure. To reject the amendment will mean an estimated cost of no more than £5 million per annum, with few —if any—consequences for the UK fishing fleet. I therefore ask the hon. Gentleman to withdraw his amendment.

Chris Leslie: I am grateful to the Minister for his comments, which, given that he addressed some of the issues pertinent to the mackerel wars question in respect of arrangements for Icelandic fishermen—that was probably the biggest reason for the question mark over this clause—were certainly more thorough than those we had in Committee. He mentioned a couple of reasons why he did not feel that the measure would bite on that issue—if I may use that fishing pun. I am glad that he did not repeat his red herring claim against the amendment. The self-employment point was a fair one. He also said that the measure would hit only if there was a claim when Icelandic fishermen were landing their catches at UK ports and so forth. In particular, he talked about the European Court of Justice situation and the requirement that would fall on the UK and the consequences that would come from that. I know how much Members on the Government Benches are keen to abide by their European obligations. Given those strictures, I am happy to beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Third Reading

7.36 pm

Mr Gauke: I beg to move, That the Bill be now read the Third time.

We find ourselves in the unusual situation of having considered three Finance Bills this year. The first, as usual, was introduced following the May Budget, but was curtailed by the election. The second allowed this Government to enact measures that were deemed necessary to address the financial mess that was left to us. This third Bill has allowed this Government to take forward those technical and uncontroversial measures set out by the previous Administration. The nature and timing of this third Bill are a product of both the economic position and our commitment to improving future Finance Bills.

The enormity of the challenges facing Britain was one of the catalysts for a brief, focused Finance Bill in the summer. As my right Hon. Friend the Prime Minister set out, private sector-led growth is at the centre of the changes that this Government need to make to avoid the mistakes of the previous Government. The first part of providing that must be macro-economic stability, which is why it was necessary to enact in the summer those policies that would quickly tackle Labour's deficit. Doing so restored the confidence in the economy of both the financial markets and the British people. Stable public finances are the only way in which to prevent higher interest rates, rising inflation and more taxes.

Alongside such policies was the need to show that Britain is, once again, open for business. We have taken such steps and committed ourselves to more. In so doing, we have been opposed by Members on the Opposition Benches, particularly on our measures for growth. I am sure that many hon. Members will remember the hon. Member for Wallasey (Ms Eagle) invoking Lord Kitchener on Second Reading. I am more drawn to the words of Churchill, who contended that a people taxing themselves into prosperity is like a man standing in a bucket and trying to lift himself by the handle. That is why we are reducing the rates of corporation tax for large and small companies and removing nearly 1 million people from tax, and why we did not go ahead with Labour's jobs tax.

It was because of the need to take such steps in the summer that a short, focused Bill was required, which meant that an additional Bill was needed in the autumn. However, this Bill has also been an opportunity for the Government to demonstrate how we will improve tax policy making. On 12 July, the clauses in the Bill were published in draft for consultation. More than 60 comments were received and resulted in changes to nine clauses. The publication of the clauses in draft followed the commitments set out in the June Budget. The changes will ensure greater predictability, fewer changes and better consultation. We have already made a good start on the first of those. Last week, my right hon. Friend the Chancellor announced the date of the Budget, four and a half months ahead of time. This evening, I can confirm that we will be publishing the majority of the clauses for the Finance Bill 2011 later this year. We will set out the draft clauses on 9 December.

I have discussed the foundations of the Bill and the process that we will undertake for future Bills, but we should not forget the important measures before us. Clauses 1, 2, 3 and 16 will provide for fairer tax treatment for carers. Clauses 5 and 6 will assure the future of venture capital schemes, which have supported more than £10 billion of investment. The support to real estate investment trusts under clause 10 will allow them to meet their regulatory requirements more easily. The changes in clauses 19 to 22 ensure EU compliance on several technical but necessary issues. I shall not press this point, but I remind hon. Members of the important action that we are taking against long cigarettes and the tax avoidance connected with them.

The Bill is a result of necessary action that was taken earlier in the year and of the greater scrutiny and consultation to which all future Bills will be subjected. Although it is not packed with headline measures, it will help many groups. It assists businesses and individuals, supports investment and benefits those in need. The Bill will make a real difference in the real world and I commend it to the House.

7.41 pm

Mr Hanson: The Labour party predominantly supports the Bill. It had its genesis under the previous Labour Government when my right hon. Friend the Member

[Mr Hanson]

for Edinburgh South West (Mr Darling) brought forward many of its measures. We give the Bill a warm reception, although we scrutinised it in Committee, as was our duty, as the Opposition.

I was going to give the Minister a much warmer welcome than I might now do, but he raised several points that strayed beyond the Bill, even though they are important for the House to consider. There is a clear difference between the Government and the Opposition on public spending and taxation regimes over the next few years. Even during today's consideration of the Bill, we saw the clear differences between us on child benefit, taxation on banks and video game tax relief. We will return to such important issues in due course. They will frame the economic debate between the Government and the Opposition over the next 12 to 18 months, and we will watch closely how the backdrop to the Bill meets the needs of my constituents and those of my right hon. and hon. Friends in relation to employment, prosperity, taxation and the economic health of the United Kingdom, because we remain of the view that the Government are cutting too far, too fast, and that they will therefore damage the economy. However, let us put those matters to one side because they are not in the Bill.

As I said, my right hon. Friend the Member for Edinburgh South West developed many of the policies in the Bill. The uncontroversial nature of the Bill is attested by the fact that there were only two Divisions in Committee. One was on the sittings motion, following a disagreement about a clash of business in Committee and on the Floor of the House—as a matter of good practice, we should try to avoid that in future. The other Division was on a matter of more significant principle: the definition of "incapacitated person". We had a rerun of that debate today.

We support many of the detailed provisions in this technical Bill. It includes important measures on foster care relief and relief for adopters. It contains provisions to simplify value added tax and to address film tax credit. As the Minister said, it includes important measures to tackle the smuggling of cigarettes through its consideration of taxation regimes for long cigarettes. We support those measures, which were the subject of discussion in Committee. The Bill puts in place important and welcome green allowances as a kick-start for zero-emission goods vehicles. When we discussed those measures in Committee, there was broad support for their implementation.

The Bill gives welcome support for asbestos-related trusts through taxation measures, including on capital gains tax. After we tested the Minister on those measures, we reached the conclusion that they were worthy of general support. We also support the clarification in the Bill on landfill tax.

Try as I might in Committee, I could not find much in the Bill with which to disagree. However, our sittings allowed us to tease out the Government's thinking on a range of issues and to reflect the concerns of a number of outside bodies about the implementation of policy, rather than the policy itself.

As hon. Members can see, Labour Members are so content with the Bill—and have such trust and faith in my ability—that they have left it to me to bring our proceedings on it to a close. Although we welcome the Bill, we will consider real differences between us regarding the economy of the United Kingdom on future days, and I look forward to those debates in due course.

7.46 pm

Charlie Elphicke: As a member of the new intake, it was a privilege to serve on the Government side of the Pubic Bill Committee. I congratulate Ministers on ably putting forward the Government's case in Committee.

This important Bill is one of the three key pieces of the Government's programme for the finances of the country—the first was the emergency Budget and the second was the comprehensive spending review. It forms part of the way in which we will start righting the finances of the nation. Only today we heard a lot of deficit denial from Labour Members, yet the nation needs its finances sorted out. We in Dover are trying to help to do that, in our small way, through the prospective sale of our port. We say, "Don't wait two years to flog it off overseas like Cadbury; let's get on and do it now, with a community mutual purchasing the port, to ensure that the Government get their money by the end of the financial year." Understandably, the harbour board is not pleased about that. Under its plans, it hopes to get millions for management, but I want millions for the people of Dover and the betterment of the community, just as the Government, through the Bill, seek the betterment of the nation as a whole.

Our finances are in a bad state. We have a structural deficit of £109 billion a year. By the end of the Parliament, even after we have reined in the deficit, our debt will have increased by £292 billion, and that is before we get on to asking how we pay down the national debt. The key message of the Bill, the Budget and the comprehensive spending review is that we must stop debts mounting before we can pay down the mortgage. We must get the finances of the nation back under proper control and on a level keel.

Just as I was privileged to be a member of the Public Bill Committee, I am privileged to support the Bill, and I congratulate Ministers on their excellent work.

7.48 pm

Penny Mordaunt (Portsmouth North) (Con): I wish to start by briefly mentioning the public consultation on the Bill. During our discussions about the Bill and the comprehensive spending review, much was said about the previous Government's mismanagement of the economy and the behaviours that led them to spend £5 for every £4 that they brought in, but the systems that they put in place did not help either. The Minister has referred to the failure of regulation, but the previous Government's other practices—the prime example is their failure to hold a comprehensive spending review—hindered public and parliamentary scrutiny of their ability to manage the economy. That enabled a bad situation to escalate, with a scandalous overspend, as well as allowing them to adopt the shocking scorched earth policy in their death throes with which we are all familiar.

I therefore welcome any move towards more transparency and public consultation. We have heard that Departments will publish business plans, and we were given reassurances in the summer that the clear line of sight project would allow us to see not just what Departments were spending,

but what they were raising. In addition, consultation on Finance Bills is an extremely good innovation in the interests of quality and transparent Government. I hope that in future consultations, a broad audience beyond the usual tax practitioners will let their views be known to the Treasury. That will help to hold Governments to account, and it will certainly give us something interesting to talk about in Committee.

With reference to the Bill, I welcome the amendment to collection procedures for income tax for individuals and the harmonisation of administration regimes for different taxes, which is a further advance towards simplification and transparency. I have received assurances on the issues that I raised on clauses 26 and 27 about the failure to make returns and late payment. I sought assurances that those measures would not overburden taxpayers or impose disproportionate penalties.

I applaud first-year allowances for zero-emission goods vehicles, a genuine incentive for logistics firms to pursue a green agenda, and a sign of the Government's determination to reward green behaviour. In Committee, there was some discussion about what constituted a vehicle, which at the time I thought might be rather a waste of time, but given that earlier today, at Defence questions, an hon. Member managed to ask a question about aircraft carriers under the topic of vehicles, perhaps the discussion in Committee was not a waste of time at all.

The clause that will be of most interest to my constituents is clause 31, because many people in Portsmouth North are suffering from asbestos-related illnesses. The clause will facilitate compensation payments and is a proper response to the tax liability to which many well intentioned trusts have found themselves exposed. Many of our constituents will suffer from asbestos-related industrial illnesses. The long period from exposure to presentation of symptoms, as well as lack of awareness, means that we will see new cases for decades to come.

Currently, the trusts established to pay compensation to asbestos illness sufferers can be liable for inheritance tax, capital gains tax and income tax on their assets. Clause 31 will introduce a retrospective exemption for trusts established between 6 April 2006 and 23 March this year. Ultimately, that means more money going to victims, and it will be warmly welcomed in Portsmouth. I was reassured to learn during the debate in Committee that other trusts that do not fall into that time frame will not miss out. No trusts that might be affected have been set up since 23 March, and in future the problem can be avoided if new trusts fully consult the Charity Commission and HMRC. This is an extremely important clause in an important Bill, and I urge all hon. Members to support it.

Question put and agreed to.

Bill accordingly read the Third time and passed.

Business without Debate

DELEGATED LEGISLATION

Mr Deputy Speaker (Mr Lindsay Hoyle): With the leave of the House, we shall take motions 3 to 12 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

Health Care and Associated Professions

That the draft Medical Profession (Responsible Officers) Regulations 2010, which were laid before the House on 26 July, be approved.

European Union

That the draft European Communities (Definition of Treaties) (Côte d'Ivoire Economic Partnership Agreement) Order 2010, which was laid before this House on 11 October, be approved.

That the draft European Communities (Definition of Treaties) (Central Africa Interim Economic Partnership Agreement) Order 2010, which was laid before this House on 11 October, be approved.

Value Added Tax

That the Value Added Tax (Emissions Allowances) Order 2010 (S.I., 2010, No. 2549), dated 19 October 2010, a copy of which was laid before this House on 20 October, be approved.

Taxes

That the draft Tax Avoidance Schemes (Penalty) (Amendment) Regulations 2010, which were laid before this House on 13 October, be approved.

Capital Gains Tax

That the draft Double Taxation Relief and International Tax Enforcement (Austria) Order 2010, which was laid before this House on 15 July, be approved.

That the draft Double Taxation Relief and International Tax Enforcement (Mexico) Order 2010, which was laid before this House on 15 July, be approved.

That the draft Double Taxation Relief and International Tax Enforcement (Singapore) Order 2010, which was laid before this House on 15 July, be approved.

That the draft Double Taxation Relief and International Tax Enforcement (Switzerland) Order 2010, which was laid before this House on 15 July, be approved.

That the draft Double Taxation Relief and International Tax Enforcement (Oman) Order 2010, which was laid before this House on 15 July, be approved.—*(Jeremy Wright.)*

POLITICAL AND CONSTITUTIONAL REFORM

Ordered,

That Catherine McKinnell be discharged from the Political and Constitutional Reform Committee and Mr Fabian Hamilton be added.—*(Mr Heath.)*

FINANCE AND SERVICES

Ordered,

That Luciana Berger be discharged from the Finance and Services Committee and Mr Clive Betts be added.—*(Mr Francois, on behalf of the Committee of Selection.)*

Mr Deputy Speaker: Nominations closed at 5 pm today for the by-election for the two Labour members of the Backbench Business Committee. Two nominations were received. A ballot will therefore not be held tomorrow. I congratulate Ian Mearns and Mr George Mudie on their election as members of the said Committee.

Reconstructing Gaza

Motion made, and Question proposed, That this House do now adjourn.—*(Jeremy Wright.)*

7.54 pm

Dr Julian Huppert (Cambridge) (LD): Thank you, Mr Deputy Speaker, for granting me this debate, and particularly for granting it to me so early in the evening. Before I start, I refer Members to my entry in the register and the fact that I was funded by Sir Joseph Houghton trust for a recent three-day visit to Gaza. I was joined by my hon. Friends the Members for Bradford East (Mr Ward) and for Gloucester (Richard Graham), whom I hope to see shortly in their places. We were also joined by Lord Warner. I would like to thank Graham Bambrough and Ed Parsons from the Council for Arab-British Understanding, and all those whom we met in Gaza.

It is entirely as a result of that trip that I requested this debate, to feed back in a public venue the thoughts and reflections that I and my colleagues had while we were there. I should say that I also had other private meetings ahead of this debate, with the Minister and with the deputy Israeli ambassador, Mr Roth-Snir, for which I thank them both.

It is worth noting that our delegation was not allowed to cross between Gaza and Israel, and as a result it was, sadly, not possible to talk to people on both sides of the blockade, which we would very much have liked to do. May I, through the Minister, suggest to Israel that its interests may be better served by facilitating people to visit it, as well as Gaza?

My purpose in this debate is not to explore the history of the conflict, which has been done extensively elsewhere, and which, I think, does not do any participant proud. Sadly, discussions of the past were all too prevalent in our visit, with discussions going back as far as 1286. Instead, I want to focus on the present and on the future. But first, I believe that we do have shared goals that we all wish to see. Israel has a clear right to exist, and for its citizens to live in peace and security. The Palestinians have a clear right to have a fully potent state, with self-determination and autonomy.

Currently, Palestine does not have a truly functioning state or security, and Israel is concerned that it does not have the safety that it needs. Unfortunately, despite the ever ongoing peace talks, I fear that both sides are headed away from those goals.

One cycle of recent events began when Hamas won the elections in both Gaza and the west bank, under the banner, "Reform and Change". Although I am no supporter of Hamas, it was poorly served by the west, which told it that it could stand in those elections only if it agreed to change its name and its platform. It did so and, in what seem to have been legitimate elections, won but was not recognised either in its own right or as part of a joint Government with Fatah. We need to learn the lessons, and consider more carefully how to respond when people whom we do not like win elections.

Kerry McCarthy (Bristol East) (Lab): I was out in the west bank as an election observer during the very elections that the hon. Gentleman has mentioned. He said that they were seen to be fair and impartial. It goes a little further than that, in that although people from the Carter and EU delegations and the British MPs who visited found minor things wrong with the way in which the elections were conducted, generally speaking there was an incredible turnout and there was very little on which we could challenge the elections.

Dr Huppert: I thank the hon. Lady for commenting. It is great to have the vision of somebody who was there and saw what happened. Whatever we think of the election result, Hamas clearly won it.

That led to the situation that we see now—a Fatah takeover in the west bank, and a Hamas takeover in Gaza, and to the events with which we are all too familiar: the rockets fired into Israel; Operation Cast Lead, with Israel killing 1,300 Palestinians, including 352 children; brutal repression of Hamas by Fatah and of Fatah by Hamas; the kidnapping of Gilad Shalit; the illegal blockade and siege of Gaza by Israel and Egypt; and the assault on the flotilla bringing aid to Gaza.

In our visit to Gaza, we saw a population who felt under siege, trapped inside their own small strip of land, and overcrowded—an intelligent, peaceful population, desperate for education and opportunity.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Can the hon. Gentleman say a little more about what the young people told him and what message they sent about what they want us to do to ensure that they are assisted with their education?

Dr Huppert: I thank the hon. Lady for intervening on that issue, and I shall come on to develop some of those points.

I was struck by the tolerance. We attended a human rights lesson at one of the United Nations Relief and Works Agency-run schools, where the pupils were asked about tolerance. One of the questions was, "How should you respond to people who are not tolerant of you?" and I thought that the response from one young lady was fantastic. She said, "You should be tolerant of them to show them what they ought to be doing," and a lot of that is taking place, certainly in the UN schools. The message was, "We should be acting and listening. People should pay attention and help."

We did not see a huge humanitarian crisis while we were in Gaza, but that is largely down to the excellent work of UNRWA, which has been in place, providing housing, food and education since 1949, and its excellent director, John Ging, who has been in place for a rather shorter period. In that short time, however, he has already had to witness his own UN compound being shelled by Israel.

UNRWA does amazing work, and I think that I speak for all of us who went on the visit when I say that we were very impressed by the range and quality of provision, from housing for refugees to schooling for their children, from women's centres to summer camps. It was clear as we drove around in UNRWA vehicles that its work is well supported by the general public, with children cheering the cars as we drove by, but its ability to play that critical role is under threat.

Although the blockade around Gaza has been lifted somewhat, there are still great concerns, because the construction equipment that should be able to enter Gaza legitimately comes under a lot of scrutiny and is

often not allowed in. The crossing at Sofa, which is intended for construction materials, has been closed since 2008, and, although some material is allowed in at other crossings, it is fairly minimal and unreliable. We were told of UNRWA-led housing schemes, which aim to deal with housing shortages and to replace refugee homes that have stood for too long and buildings that were destroyed or damaged during Operation Cast Lead. Those schemes are funded by the international community, including the European Union, but they either cannot go ahead or they go ahead very slowly, because Israel will not allow in the cement and steel bars to build them.

We heard of a crisis in UNRWA-led education, which is far more liberal than that in the Hamas-controlled Palestinian Authority schools and even includes a course on the holocaust. However, despite the fact that most UNRWA schools are double-shifted, with separate classes in the morning and the afternoon, there are about 40,000 refugee children who should be educated by UNRWA but are not, because of a lack of buildings. The money for eight much-needed new schools and two extensions has been obtained, the plans have been prepared and the contracts have been let, but the materials struggle to get in. While we were there, of the 48 trucks bringing in materials for the schools, 47 were turned back for no clear reason.

I raised the matter in International Development questions on 13 October, and the Minister of State, Department for International Development, agreed:

> "Schools must be rebuilt, and we certainly urge the Israelis to ensure that any materials that can be used for the essential reconstruction of schools and the like can be allowed through." [*Official Report*, 13 October 2010; Vol. 516, c.316.]

I hope that he and the question have had some effect, because on Friday I heard from the Israeli embassy that approval had been granted for the eight schools, the two extensions and for two clinic centres, and that building materials will be allowed into Gaza in accordance with the building work.

Richard Graham (Gloucester) (Con): My hon. Friend speaks eloquently about our visit, and I agree with all the points he has made. Does he agree that the slowness in building those schools, which Israel has already approved from a list of 13 projects, is partly due to the fact that the crossing in Karni is not properly open? Of the 404 trucks for which UNRWA requested permission to enter Gaza, only 70 have so far done so. Does he agree that that is a crucial issue, and one on which we would be grateful for the help of the Minister here tonight?

Dr Huppert: Indeed, and I thank my hon. Friend for going on the visit. It was a great pleasure to share many experiences while we were there. He is absolutely right. One can look at different time scales, and his figures date back to 3 October, if I recognise them correctly, but in general UNRWA says that only about 1.7% of the material that it requires is allowed in. Indeed, as he says, the Karni crossing is open only two days a week. It could be open six days a week. The Sofa crossing could be open, and we could allow for the transfer of construction materials at Kerem Shalom. I am delighted, however, that we seem to be making progress on those schools, because the materials for them were our No. 1 priority after the visit.

Kerry McCarthy: It seems entirely counter-productive not to allow through those construction materials, when, as the hon. Gentleman says, the UNRWA schools are far more moderate in their teachings than the Hamas-led schools. I appreciate that he did not have a chance to visit Israel and hold meetings there, but did he receive any feedback on why there are delays, and why there is no real push or zeal on the part of the Israeli authorities to get those schools built?

Dr Huppert: That is a fascinating question. I thank the hon. Lady for raising it, and in a moment I shall refer to what I have heard about the situation.

I am delighted about the schools, but we should be cautious. Approvals have been given in the past and then withdrawn, and allowing such basic building materials in should be a standard right, not a long drawn-out victory, but I thank the embassy for its information and urge the Minister to monitor carefully the progress on those projects, and to make the strongest protests possible if the flow of materials for those projects is curtailed. I hope he will agree to that.

On the question the hon. Lady asked, the argument used by Israel for not allowing construction materials in for these and other projects is one of security. The argument is that such materials—and there is a relatively long banned list, although it is better than it used to be—could be used by Hamas for military purposes. That argument makes sense superficially, and Israel does of course have a legitimate reason for wanting to control materials that could be used to make rockets, but it falls apart on closer examination.

It is well known that there are hundreds of tunnels under the border with Egypt which are used for smuggling. At the peak of the blockade, there were 1,200, including some large enough to drive a car through. We went into one—not the whole way, I hasten to add—and they are impressively constructed. At its peak, we were told, the value of the tunnel economy was between $500 million and $700 million a year, although the relaxation of the blockade on food and similar consumer goods has reduced activity significantly. The taxes that Hamas levies on imports through the tunnels provide a significant income to that organisation, helping to fund its activities and to buy up land and businesses throughout Gaza. However, those tunnels provide a regular supply of building materials, and we saw trucks being loaded with large amounts of cement and steel bars, along with signs throughout Gaza of construction works.

We found it ironic and deeply concerning that Hamas and related private individuals can have all the materials they need to build anything, from apartment blocks to bunkers, while the only effective constraints appear to be on the UN, non-governmental organisations and legitimate businessmen. That is surely counter-productive to Israel's interests. It also serves to weaken UNRWA, which risks losing support through its inability to build while others are able to, because it is of course not prepared to use illegal materials. Given the flow of materials through the tunnels, Hamas can quite easily obtain any military equipment it requires, without having to try to acquire goods via the Israeli border.

Egypt plays an important role in the area. Indeed, we entered Gaza through Egypt. The press rarely highlights the fact that Egypt maintains a blockade on people movement in Gaza, just as Israel does, largely out of

[Dr Huppert]

fear of the spread of Hamas ideology. However, Egypt could easily close down the tunnels if there was a desire to do so centrally, and if local military and police commanders were prepared to act—although that might go against their financial interests.

Mr David Ward (Bradford East) (LD): Was my hon. Friend as amused as I was by the secret, hidden tunnels from which one could wave at the Egyptian border guards who were apparently unaware of their existence?

Dr Huppert: I thank my hon. Friend for intervening. It was a great pleasure to have him on the trip as well, and yes, it is absolutely absurd to imagine that Egypt does not know about the tunnels, when one can drive along and see large tents. One has to speculate on how materials suddenly, magically appear out of them. Egypt could find those tunnels on the other side of the border as well, and the trucks that go backwards and forwards for supplies could surely be found, too. There is a considerable Egyptian presence of tourist police and other organisations, as anyone who has been there will know.

Egypt is concerned about Hamas ideology, and it was fascinating to discover how broad the Hamas support base is, along with the spectrum that it covers, from reformers to hard-liners. It was also interesting to see how some of the more extremist Islamic groups there consider Hamas to be far too moderate. Those groups have been involved in many recent attacks on Israel, and Hamas has where possible put them down brutally. The feeling is often reciprocated.

While I am on the subject of tunnels and imports of materials, let me mention the lack of exports and the effect that that has on the economy. Exports have been barred since June 2007, with minimal exceptions: there have been a few shipments of strawberries and carnations. This does not make for a serious export market or a way of earning income for a country. I was fascinated to find that some entrepreneurial Gazans use the internet to do paid work, but that is very much in its infancy and cannot be a substitute for a proper export economy. I note in passing that one of our party inadvertently left a medical device behind in Gaza, and we are still struggling to find a way to get it back again. Without exports, there is no hope of the Gazan economy starting to re-function. The collapse of the economy has led to 40% unemployment rates, and 60% youth unemployment. These are not good conditions for a transition to a more peaceful solution.

There are problems with the provision of fresh water and with sanitation, and we heard about the desperate struggle to undertake rebuilding projects of those kinds as well. On physical construction, we need to think ahead. When the next Operation Cast Lead happens—we all hope that it will not happen—what steps will the Minister be taking to ensure that any future assaults by Israel would not blow up the provisions that we in the international community paid to have built? We need to ensure that we are improving Gaza, not stuck in a cycle.

Reconstruction is not just about the economy or infrastructure; mental reconstruction is also an issue. We met a fascinating gentleman called Iyad Saraj from the Gaza community mental health programme, as well as people from other non-governmental organisations that operate there, who made it clear how much psychological harm is being done to Gazan residents, especially children. As well as the traumatic events of Operation Cast Lead and other Israeli assaults, there is a sense of imprisonment in what the Prime Minister has called a "prison camp". There are 800,000 under-18s in a population of 1.5 million, and more than half of them have never left Gaza.

Serious construction is needed in leadership. Time and again, we heard of the desperate shortage of leadership on all sides. The ongoing feud between Hamas and Fatah exemplifies the suggestions that they are each more interested in their own interests. There is a long history between the factions, and an urgent need for them to overcome their differences. Talks facilitated by Egypt have been ongoing for two years, but are still unresolved. At the intended signing of the deal recently, there were five remaining differences, which have now been reduced to one—security. However, the talks on this issue that were supposed to start on 20 October fell apart almost immediately, and it is now urgent for these two factions to unite if they are to be able to represent the Palestinian people.

We were told on several occasions that some exciting visitors from Britain had come to visit. Gerry Adams went to Gaza to give advice to Hamas. Of course, he is in a unique position to do so, with the benefit of detailed experience of armed uprising. In his comments, as reported to us, he said that there is a time to stop fighting, and that in Northern Ireland they had waited too long, increasing the death count for no benefit; and he argued that Hamas had gone beyond that point. I hope that he is heeded. Hamas has also been in talks with the African National Congress and with bodies around the world. It is not clear, however, that there is a Palestinian leader who can be Gerry Adams, Nelson Mandela, or anyone even close; it seems that there is no one who can take the dramatic steps required for peace to be serious. Hamas will not take steps to amend its founding, and outdated, charter. There is no one who will release Gilad Shalit, who has been held by Hamas for more than four years.

However, there is leadership in other places. I would highlight the leadership in human rights provided by Jaber Wishah of the Palestinian Centre for Human Rights. He was jailed by Israel for his part in fighting against the Israelis, and he spent many years in jail, but while he was there he decided to renounce violence, and he now dedicates himself to fighting fearlessly for human rights throughout Gaza, courageously reporting infringements by Palestinian and Israeli alike against people from any background. It was a privilege to meet him; we need more people like him in Gaza and elsewhere.

Richard Graham: Does my hon. Friend agree that in an environment in which the people have been so badly let down by their leaders and their neighbours, the best role that Britain can play in this difficult situation is to encourage the moderation and education that come through UNRWA's crucial work in Gaza, and that that is where our focus should be, while encouraging the Palestinians to try to create unity among themselves?

Dr Huppert: Indeed; we have to focus on what is there. I was struck by the fact that many of the younger generation are ready for something different. We met

people who are ready to start thinking in another way, and they need our support. I hope that that Minister can comment on whether the British Government are in any way able to provide support and training to some of the up-and-coming young people in Palestine.

Israel is not acting like a partner for peace at the moment. Although it is clear that the vast majority of Israelis do seek peace, as indeed do the vast majority of Palestinians, the leadership in Israel is undermining the search for a lasting peace. Avigdor Lieberman's recent comments are inflammatory, as is the continued construction of illegal settlements on the west bank—only today, we heard of 1,300 more. The time available for peace is running out. There are currently Israelis and Palestinians who know each other, who have worked together, or who are friends, but this is fading. The younger generations on each side increasingly know each other only as enemies, and with every passing year this becomes worse.

We were told a chilling story, with which I will conclude. One woman we saw was given permission to travel to Israel to meet a colleague, and to take her daughter with her. Her daughter met her friend, and asked what she was. She was told that she was, inter alia, an Israeli. The daughter said, "That can't be right. Israelis are soldiers who wear masks and carry guns."

If we are to avoid a perpetual state of conflict, a perpetual siege of Gaza, and a pressure cooker that will eventually explode in furious violence, then Israel and Palestine must up their games. They must find leadership to overcome their differences—to act in the common interest and the long-term interest of their citizens. We in Britain must play a role in supporting and helping them to take these difficult steps. We must be prepared to criticise firmly and actively when needed, and to encourage and assist when required. We must not take our eyes off Gaza. We must not allow the people in Gaza to bear the brunt of collective punishment and bear the burdens of a long and sorry history. The siege has to end. Senior Members of Parliament, from the Foreign Secretary down, must go there to see for themselves what is happening.

I look forward to hearing the Minister explain how he will ensure that Britain is a more active participant in the region, how Britain will ensure that UN Security Council resolution 1860 and all the others are enforced, and how Britain will ensure that it is a force for peace, for human rights, for the rule of law and for the people.

8.18 pm

Yasmin Qureshi (Bolton South East) (Lab): I congratulate the hon. Member for Cambridge (Dr Huppert) on securing this Adjournment debate. It is an extremely important debate that needs to be had.

I went to Gaza this summer with two Members of the House of Lords. It was the first time that I had been to Gaza or anywhere in the middle east region. Like the hon. Gentleman and his colleagues, we travelled to the Rafah crossing from Egypt into Gaza, and we saw some of the tunnels as well. We spoke to people from UNRWA and saw the people living in the camps. It completely shocked me and, I think, the people with me to see almost three generations of people—grandparents, children and grandchildren: people of all different ages—who had lived in one room for more than 40 or 50 years. That surely cannot be acceptable in the 21st century. It does not matter about the rights and wrongs of Hamas, Israel and so on. We, the international community, have an obligation.

As Members probably know, under a settlement made a long time ago, people cannot extend their camps into any other space but must keep building on the land they have. There are therefore a number of layers of homes, with people in flats of up to eight floors. On each level there may be a room with a family of 10, 12 or 15 people living in it. Some 1.5 million people live in a space of 2.5 or 3 sq km of land.

I saw many people rushing off to the beaches, yet we were told that all those beaches were unsafe and polluted. They cannot be cleaned, because pipes would need to be sent out there, and no materials for reconstruction are allowed through. The only pastime that young people seem to have is going to the beach. In this country, we would never tolerate people going en masse to severely polluted beaches that were very bad for their health. A number of people in Gaza have suffered ill health precisely because they have disregarded advice, gone to the beach and gone swimming.

We spoke to people in Gaza and saw some of the schools that they have constructed. The tragedy of Gaza is that, as the hon. Gentleman said, there is money there. It is not like some parts of the world where there is no money and no finance, and nothing can be done. The money is there, but Israel has imposed embargoes that do not allow anything to be exported or imported properly. In some respects Israel is kicking itself, because if goods were allowed to come in properly and the money could be used to rebuild schools, hospitals and other institutions, it would create an enormous number of jobs and the economy would prosper. Trade with other people would be possible.

Historically, the best way for countries to negotiate or become friendly has often been through trade. That is often the most peaceful way for countries to build better relationships. By not allowing trade and reconstruction, Israel is hurting itself. It is important that the siege is lifted and reconstruction can start. That will be better for everyone concerned.

8.22 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): I congratulate the hon. Member for Cambridge (Dr Huppert)—my hon. Friend now—on securing the debate. I appreciate not only what he said but the way in which he said it, and I thoroughly enjoyed his contribution. It was made better by the fact that he did not have to squeeze it into the usual time and could extend it. I thank him for the great courtesy of giving me the outline of his speech earlier, because, at their best, Adjournment debates are not ambushes but an opportunity for colleagues who share many opinions and concerns to inform each other, the House, yourself, Mr Deputy Speaker, and the public of what we are about.

I also thank the hon. Member for Bolton South East (Yasmin Qureshi) for her contribution. Both contributions indicated the importance of travel. Occasionally, the House has to defend itself against those who think that every time we step outside our own shores, it is for purposes connected more with us than with what we are

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about. The descriptions that both colleagues gave of their personal experiences, and those of my hon. Friends the Members for Gloucester (Richard Graham) and for Bradford East (Mr Ward), who accompanied the hon. Member for Cambridge on his visit to Gaza, were good examples of how important it sometimes is to see things on the ground, so that we can report them faithfully to the House. I see my long-standing friend, my hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes), in his place. He will know of the many times that we went to South Africa together in the difficult days of the 1980s. We hope that our personal experience of going there when many others could not made a difference to discussions in the House.

Simon Hughes (Bermondsey and Old Southwark) (LD): I am grateful to my very good friend the Minister for that kindness.

In probably every constituency in the United Kingdom, and certainly every urban one, there are people who daily worry about the future of Palestine, Israel, Gaza and the middle east. We therefore have a particular responsibility to be informed. I have been twice to the west bank and Israel, although I have not been to Gaza. The faith groups want us to do that, and Britain has a historical responsibility to be as engaged as possible—not just Government but Parliament. My hon. Friend is absolutely right that we are right to go and right to put the matter on the agenda in the House.

Alistair Burt: Yes, indeed, and the number of letters that I deal with from colleagues expressing the concerns of their constituents certainly confirms what my hon. Friend says.

I applaud the aim of the hon. Member for Cambridge, following his recent visit and that of his colleagues, to ensure that eight new UNRWA schools are built in Gaza. Like him, I welcome the recent announcement that that will be done. The situation in Gaza continues to cause the Government concern, and it was high on the Foreign Secretary's agenda during his recent visit to Israel and the occupied territories. I hope to explain in my remarks what action the Government are taking to reconstruct and stabilise Gaza, and why that matters to the middle east peace process.

To begin with, I should like to set out the scale of the reconstruction challenge in Gaza and explain briefly how we got where we are. Although we agree with the hon. Gentleman that there is no longer a humanitarian crisis as such in Gaza, the situation there remains extremely fragile and could deteriorate very quickly. Despite Israel's welcome announcement on 20 June of measures to help ease access restrictions, we remain worried about what the UN has termed the "de-development" of Gaza, with the economy, institutions and skill base steadily eroding.

Although I am not tempted to go back to 1286, it is impossible to consider the current issues in Gaza without recognising the historical context and noting the tragedy of the people of Gaza, caught up in the generations-old dispute concerning Israel and Palestine. After years of occupation, and much international criticism, Israel withdrew from Gaza in 2005, pursuing its policy of swapping land for peace and evicting a number of settlers and settlements. The UK, along with international partners, welcomed the withdrawal as a positive step towards meeting Israel's road map commitments. We also pushed hard for Israel to co-ordinate with the Palestinian Authority on the aftermath of withdrawal.

However, far from being freed, Gaza's population found itself the battleground for a gradually intensifying dispute between Fatah and Hamas for the control of the land. Hamas's repressive control of Gaza gradually tightened. Israeli soldier Gilad Shalit was kidnapped in 2006, kept completely incommunicado for many years and denied Red Cross access, and he is still detained. Hamas violently ousted Fatah from the Gaza strip in 2007, leading Israel to declare Gaza a "hostile entity". A regular barrage of rockets directed towards southern Israel began. Israeli Government statistics claim that in 2005 Hamas and other Palestinian groups launched about 850 rockets and mortars at Israel from Gaza. By 2008 that figure had climbed past 2,000.

Although I heard and understood the hon. Gentleman's point about responding differently to those who win elections with policies that we may not like, equally, those who wish to play a serious part in deciding the future of a people need to know that an acceptance and encouragement of violence, and a refusal to accept the existence of the state of Israel, will result only in closed doors, and rightly so.

A downward spiral of restricted access, the cutting of fuel supplies and retaliatory violence prompted aid agencies to describe the situation in Gaza in early 2008 as the worst since the 1967 Yom Kippur war. As hon. Members know full well, a shaky ceasefire was not renewed towards the end of 2008. Militants in Gaza fired barrages of rockets at Israel, and Israel responded by launching Operation Cast Lead. The conduct of both sides in that war is the subject of a number of inquiries and is not for this debate. However, the consequences for the people of Gaza have been severe.

To prevent the rebuilding of supplies of arms, Israel ensured a tight blockade of Gaza. The UK Government understand and support Israel's right to protect itself. However, to come to one of the hon. Gentleman's key points, we were, and are, less persuaded that the economic blockade that was simultaneously imposed would be of any benefit to Israel, and we share the hon. Gentleman's assessment. The fact that the economy of Gaza has been so reduced that 80% of Gaza's population is in receipt of food aid, and that unemployment is calculated at 40% for adults and 60% for youth, has not produced serious political gain for Israel or ruin for Hamas, but simply added to the misery of the people. We do indeed call on Israel to rethink that part of its policy, which would not undercut its concern on security, and might indeed, for reasons that have been outlined, assist its security. We make that case regularly to Israel, and we will continue to do so.

Following Operation Cast Lead and resolution 1860, the international community lobbied Israel hard on the need to allow access for humanitarian and reconstruction relief to Gaza. However, it was not until after the flotilla incident earlier this year that international pressure made a difference, and Israel announced on 20 June measures to ease controls on goods entering Gaza. We welcomed that announcement and the Israelis' subsequent implementation on 5 July of a move from a list of permitted items to a list of banned and dual-use items.

The latter step resulted in an increase in the variety and volume of goods entering Gaza.

Further steps have been taken by Israel, including procedures to allow the entry of dual-use items, such as building materials, into Gaza, and I will come to that key point a little later. The Government of Israel are also taking steps to improve access for Palestinian business people into and out of Gaza. We welcome those steps and acknowledge that the volume and range of goods entering Gaza has increased in recent months.

I spoke this morning to John Ging, and I very much echo the hon. Gentleman's appreciation of his work. I had the pleasure of meeting John during the summer to help me understand the area for which I now have responsibility. He tells me that the consumer goods picture is much improved. Indeed, he estimates that there is only 20% of the tunnel traffic that there was. Once again, we share the hon. Gentleman's perception. Tunnel traffic simply became a source of revenue to Hamas and to criminals and appears to have done little damage to Hamas politically.

However, John Ging also said that the situation in terms of construction material remains dire. He cannot find what he needs to tackle the under-resourcing of school building. We share his welcome, and that of the hon. Gentleman and other colleagues, for the eight school projects, but they will not satisfy the demand of 40,000 children. Once again, I echo the hon. Gentleman's point. If UNRWA, with the support of the international community, is not seen to, and cannot, provide the development that is needed, yet Hamas and its allies can provide it because of access to materials through routes other than the official crossing, who will get the blame and who will get the support?

It is possible that it is not any political ill will that is affecting the delivery of construction material specifically orientated towards UNRWA, and UNRWA must, rightly, be held responsible should any material go missing and assist Hamas. However, John Ging informs me that there is a significant capacity issue, which hon. Members have mentioned. I understand there are sheer logistical difficulties in getting more material through the existing crossing. To that extent, therefore, reopening other crossings may assist, and we certainly intend to take that up, although we appreciate that it requires serious consideration and cost to Israel. The gain, however, may make it well worth while.

It is not just schools. The sewerage system needs serious work to stop untreated sewage entering the Mediterranean. Some 90% of mains water is undrinkable. As I indicated, 80% of the population is dependent on food aid. It is also vital, therefore, to take steps to revive Gaza's economy, including allowing exports and the movement of people. That is key to ensuring Israel's long-term security interests. The empowerment of Gaza's legitimate, non-Hamas controlled business community will act as a counterweight to radicalisation.

Kerry McCarthy: Before the Minister moves on from aid deliveries to Gaza, will he give us the Government's view on the informal conveys? Those are certainly an issue in Bristol, where people have donated. Trucks have set off from Bristol, and constituents have gone to Gaza to try to deliver food and other aid, but they have been blocked. Is that useful, or would be it better to go through the official channels?

Alistair Burt: The hon. Lady makes an important point, on which I have received a number of letters. Our position is: we do not advise unauthorised travel to Gaza. As we know, it is still a dangerous place, and we cannot guarantee the safety of British nationals who go there. For those who want to contribute aid to Gaza, there are recognised channels to go through, which include the United Nations. We encourage that. There are ways in which people can take aid directly and use existing channels to ensure that it gets through. However, as she will be aware, there are opportunities taken where the political point of breaking the blockade appears to be almost as important as any of the humanitarian aid behind it, with sometimes tragic consequences, so we are right to be cautious. We want to ensure that those who feel strongly have an opportunity to express it, and there are legitimate ways to do so. However, we do not encourage unauthorised activity, hard though it may be for some to accept. We advise people to use the official channels to support Gaza.

Dr Huppert: We had a number of interesting conversations about the convoys while there, and one concern expressed to us was that, in many instances, the goods being provided were not the things that were desired. Medical supplies have far too much of some things, and far too little of others. They do not need more Tamiflu, and they do not need old X-ray scanners; they would rather have some spare parts. Perhaps people considering sending convoys could first find out what is wanted and needed, and then go.

Alistair Burt: That makes a lot of sense. The aid agencies actively involved are very good and know what they are doing. However, I do not want this to be misconstrued. We do not want the aid agencies to be there at all. We want the economy to be working properly, and we want Gaza to be a fully functioning part of the middle east.

Julie Hilling (Bolton West) (Lab): Mine is a question raised often by constituents. Their belief is that the UN aid is not getting through. Can the Minister reassure me on the Government's view of whether that aid is getting through to Gaza?

Alistair Burt: As I indicated earlier, we know there are capacity problems, but in the main we believe that aid gets through. I do not think it is fair for people to feel that, if they send it through a recognised source, sometimes it all just sits there. There were more issues with that in the past, but we have found, since the flotilla incident, that the Israelis are genuinely moving more goods through, and have responded to the concerns. There might be individual instances of hold-up, and where that happens all pressure should be applied. However, there is a logistical problem with the amount of aid, to which I just referred, and the hon. Lady was right to pick up on that.

I made the point about ensuring that if the business elite in Gaza are given the opportunity to develop and grow, and handle things themselves, they can be a counterweight to radicalisation. John Ging made an interesting point to me this morning. He said that the closing of the tunnels, with more goods travelling through official routes, has not met with what might have been anticipated, which was an aggressive response from militants seeking to disrupt official traffic. They have

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gone along with it, partly because, we think, the business community and others have made it clear that they want to see the official channels open and will not accept the militants and extremists getting in the way of the development of the economy. That is good news for those who believe that the economy is the key to the future of Gaza.

There are issues on the Palestinian side, however, that also need improvement. The Department for International Development is working closely with the Palestinian Authority to help increase its co-ordination of goods into Gaza and to speed up the approvals process. I would like to reiterate the call for Hamas to release Gilad Shalit, because it is clearly unacceptable that he remains in captivity after four years. The Foreign Secretary met the Shalit family during his visit to Israel and heard their experiences at first hand. I also call on Hamas to end its interference in humanitarian operations in Gaza.

I am sure that hon. Members would agree, following the remarks of the hon. Member for Cambridge, that there are sobering facts on the ground, and that reconstructing Gaza will require vast amounts of reconstruction and development support. He concluded by asking what the British Government are doing and what more we intend to do to fulfil resolution 1860 and other requirements. The United Kingdom should play, and is playing, its part, primarily through aid provided by DFID. We are providing basic services to Palestinian refugees through funding for the United Nations Relief and Works Agency. Some 70% of Gazans are refugees who rely heavily on it. Last week the Minister of State for International Development, who was on a visit to the west bank, announced an additional £8 million for UNRWA, bringing our total support for 2010 to £27 million.

Turning to the Gazan economy, we have just announced a further £2 million in new funding to support the recovery of Gaza's dormant and damaged private sector, which was laid waste after Operation Cast Lead. That will help 300 existing businesses and four start-ups to generate an additional $5 million in revenue and employ an extra 2,200 people. Finally, we are funding the United Nations and Palestinian Authority teams working to facilitate access to imports in Gaza.

Simon Hughes: The Minister referred to the severe problems with good water supplies and the offshore pollution along the coastal strip. Will he say whether the Government are working with others to deal with what is both an environmental and a health crisis? Clearly we cannot deal with it on our own, but is that on the agenda of DFID or his Department? Clearly, not much has been satisfactorily achieved so far, so what more can we do?

Alistair Burt: So as not to flannel my hon. Friend, I should give a better response when I have spoken to colleagues in DFID. I know that the problem that he raises is a serious one, and it is also caught with the problem of construction materials, which are vital to do the work that is necessary for the sewerage system and the like.

Mr Ward: We were disturbed by the appalling situation —which we could smell as we drove along the beach—of sewage going into the sea. The terrible consequence is that the sewage is finding its way back into the land through the water table, which is serious for agricultural development as well.

Alistair Burt: My hon. Friend describes an unbearable situation. I know that colleagues are on to it, so rather than speak in generalities I will find some detail. Indeed, if he submits a written question, I can supply an answer, and that will disseminate the information more widely.

On the diplomatic side, we are working closely with the UN, the office of the Quartet representative—Mr Blair—and the European Union to co-ordinate the international community's demand for further progress. Mr Blair has played a very important role on Gaza, and was helpful in the period immediately following the flotilla incident. He did a great deal of work—and continues to do so—with the Government to deal with the authorities there. We are also working with the European Union to co-ordinate the international community's demand for further progress. Although we welcome the steps that Israel has taken so far, we need to see further progress. In particular, we want to see faster approvals for key UN reconstruction projects. The international community is listening closely to UNRWA's feedback. We urge Israel to work with UNRWA to expedite its reconstruction plans, particularly for schools. We want Israel also to show greater flexibility on the movement of people and exports in order to increase employment, reduce aid dependency and allow the full movement of humanitarian workers.

There is a final point to make this evening. Sometimes I worry that a given situation remains unresolved because, in reality, it suits all parties, rather than those most affected, to leave it be. For Israel, Gaza is a heavy security risk—a dagger potentially pointing at its heart, through Hamas. It is a place of missed opportunities, following—Israel believes—the generosity of its withdrawal. For Hamas, Gaza is a counter to Fatah—an element in its war with Fatah, as much as in its role of resistance to Israel. For Egypt, Gaza is a conundrum too—part of the need to resolve the Palestinian situation, but where, in authority, it finds a political entity to which it is opposed, and in whose success it has no more vested interest than Israel. In the middle are the people—the children; those whose future could and should be so much better; those who, as my hon. Friend the Member for Cambridge said, are crying out for leadership, to take them out of this situation, and for a future.

The only path is that Gaza will be part of the ultimate settlement in the middle east. That is why we and other parties are urging those involved in the direct negotiations to keep at it. We are pressing both sides to stay with the talks, to overcome the difficulties on settlements. That is why the Foreign Secretary pressed the point in relation to Israel, and why all friends of both Israel and Palestine should keep the parties at it. Ultimately, Gaza's future salvation lies in a comprehensive peace settlement: the two-state solution, which is so important.

As my hon. Friend the Member for Cambridge said, time is running out. My story meets his in terms of those he spoke to. A couple of years ago, I was on Israel's northern border and talking to some of the young people—they are very young—who guard those border posts. I asked them whether their children and grandchildren would be doing the same thing, and they thought that they probably would be. That is as sad and depressing as my hon. Friend's story.

We have lived through momentous times during our period in Parliament. We have seen the unresolvable dealt with, and we have seen all sorts of things change during the past 20 or 30 years. The most intractable political problems have been solved, and it is always possible that that can happen in the middle east. The time is now.

I hope to visit Israel and the occupied Palestinian territories early next year. I have been to the west bank and Israel, and I hope to have the opportunity to go to Gaza. I will take a message from this House that we are all determined to redouble our efforts to drive the peace process forward, and we look to all those in the region and beyond to join us for the sake of all those in Gaza we have spoken about tonight.

Question put and agreed to.

8.45 pm

House adjourned.

House of Commons

Tuesday 9 November 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Mr Speaker: I remind the House that Thursday is 11 November, Remembrance day. The House will meet at 10.30 am, as is the norm for a Thursday. At 11 o'clock, I regard it as appropriate that we should join the nation in observing the two-minute silence so that we might remember those who gave their lives for their country to help preserve our democratic freedoms. Instructions will also be issued to heads of House Departments so that those members of staff who wish to observe the two-minute silence may do so.

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

EU Treaties

1. **Mr Andrew Turner** (Isle of Wight) (Con): What recent representations he has received on the procedure for amendment of EU treaties. [22524]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I refer my hon. Friend to the Prime Minister's statement on the European Council on 1 November. The Council agreed that Herman Van Rompuy should consult member states about a limited treaty change connected with the establishment of a permanent crisis resolution mechanism for the eurozone. We also secured a clear agreement that any such treaty change, should it occur, would not affect the United Kingdom.

Mr Turner: It is said that the eurozone needs a new treaty to make it lawful to bail out Greece. It is claimed that that will not affect the United Kingdom as we are not part of the eurozone. Will the Minister confirm that the UK will not need to sign the treaty or, if we do, that the public will be given a referendum on the issue?

Mr Hague: It is my long-standing position—and, I think, that of my hon. Friend—that any treaty that transfers new areas of power or competence to the European Union should be subject to a referendum. Clearly, there are still consultations about what form a treaty change might take. It is clear beyond doubt that the United Kingdom will continue to be exempt from any sanctions under the stability and growth pact and we established at the last Council that any possible future treaty change would not affect the United Kingdom and would not transfer power or competence from the UK to the European Union.

Mr Wayne David (Caerphilly) (Lab): Given the promises made in the Conservative party manifesto, will the Foreign Secretary tell the House whether the Government will be bringing forward proposals to repatriate powers from the European Union? Yes or no?

Mr Hague: The Government's position is set out in the coalition agreement. What is also clear from that agreement is that one of our top priorities in Europe is to bring realism to budgeting in the European Union since the hon. Gentleman's party gave away many billions of pounds of the British taxpayer's money for nothing in return the last time the financial perspective was negotiated, in 2005. The answer to his question is that our top priority in seeking change in the European Union is to ensure realistic budgeting in the future.

Sir Peter Tapsell (Louth and Horncastle) (Con): Now that the German Chancellor is insisting on the amendment of European treaties, including Lisbon, will there ever be a better opportunity for Britain to renegotiate its relationships with the European Union and seek the repatriation of powers abandoned by previous Governments, or is that vetoed by the Lib Dem members of the coalition?

Mr Hague: It is certainly a coalition Government that we have here and my hon. Friend should bear that in mind. I would also ask him to bear in mind that instability in the eurozone, as he well knows, is a serious danger to the British economy. It is clear that the United Kingdom will be exempt from the provisions of any such treaty change. Where we have considerable negotiating leverage in the European Union, as we certainly will over the coming years, our first priority—as I said in answer to the previous question—is to change the way in which the budgets are determined so that, unlike the previous Government, we are not involved in spending billions of pounds extra of the UK taxpayer's money.

Mr Denis MacShane (Rotherham) (Lab): May I congratulate those on the Government Front Bench, and the Foreign Secretary in particular, on their new flexible approach on this issue? I understand that the new treaty change would happen under the passerelle clause. Clearly, the non-euro-using members of the EU—Poland, ourselves, Denmark and Sweden—and our officials and Ministers will be involved in this discussion, and there will be a small transfer of competences. I thoroughly welcome this and congratulate the Foreign Secretary on his new Europe-friendly approach.

Mr Hague: I am glad the right hon. Gentleman agrees with an approach that involves not joining the euro, transferring no more powers or competences to the European Union, making sure that this country will have a referendum if any future Government ever propose doing such a thing, and bringing the European budget under control—all things that he has never agreed with before and which his Government never did.

BBC World Service

2. **Mr Ben Bradshaw** (Exeter) (Lab): What assessment he has made of the effect on the BBC World Service of the proposed transfer of its funding away from his Department; and if he will make a statement. [22525]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): The transfer of the BBC World Service funding from the Foreign and Commonwealth Office to the licence fee from 2014-15 represents a £212 million reduction in public spending. I will continue to set the objectives, priorities and targets for the World Service with the BBC, and no language services will be opened or closed without my agreement.

Mr Bradshaw: Is it not the case that in parts of the world the World Service can be a better ambassador for Britain than any number of embassies and diplomats? But does not the change raise some serious questions about its long-term governance and funding? Why should the licence fee payer in Britain pay for programmes that they cannot receive and probably would not be interested in receiving, and why, therefore, should the BBC continue to fund them?

Mr Hague: The BBC is very enthusiastic about the change. I have discussed it with Sir Michael Lyons and with Mark Thompson, the director-general of the BBC. They believe there is more that they can do, through bringing the BBC World Service and other BBC activities together, to develop the World Service in the future. Clearly, we would want them to do that, and I do not think that any future Foreign Secretary would allow them to run it down, given the powers that are reserved to the Foreign Secretary. So here we have an arrangement that can maintain or improve the World Service, has the necessary safeguards, and saves £200 million of public spending without increasing the licence fee. That is something that we should all be enthusiastic about.

Richard Ottaway (Croydon South) (Con): The Foreign Secretary said that responsibility for the finance of the World Service is being transferred to the BBC, but can he say whether responsibility for the strategic direction of the World Service is also being transferred? In other words, who has the last word on editorial content?

Mr Hague: The responsibility for the direction of the World Service will remain exactly as it is now. What I agreed with the BBC Trust and the director-general of the BBC is that the key parts of the governance arrangements previously agreed in 2006 will be replicated in a new agreement, so the Foreign and Commonwealth Office, with the BBC, will set the objectives and priorities and, as I mentioned earlier, the Foreign Secretary will retain a veto over the opening and closing of services. So those arrangements stay the same as now.

Gaza Blockade

3. **Mr David Ward** (Bradford East) (LD): What recent discussions he has had on the blockade of Gaza. [22527]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I discussed Gaza with the Israeli Prime Minister, Foreign Minister and Defence Minister during my visit there last week. I stressed that economic revitalisation will best safeguard Israel's security. Gaza's dependence on aid will continue until there is progress on exports and a better framework is developed for enabling imports of reconstruction materials for UN-led projects.

Mr Ward: Does the Foreign Secretary agree that the blockade not only represents an act of inhumanity, but is against the long-term security of Israel and is therefore against its national interest?

Mr Hague: Yes, I do agree with my hon. Friend. I have said before in the House that I think the blockade of Gaza is unsustainable and unacceptable. The tunnel economy that has arisen in Gaza often serves the interests of Hamas, rather than the interests of anyone else, so it is important for Israel to continue to allow an improvement in the flow of goods into Gaza and, as I said, to begin to allow reconstruction materials in so that there can be a real improvement in conditions on the ground in Gaza. That will help the security of the whole region.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Is the right hon. Gentleman aware that in a briefing provided for me last week in Jerusalem by John Ging, the admirable head of the United Nations Relief and Works Agency in Gaza, Mr Ging said that the situation in Gaza now is worse than it was before the flotilla incident, that huge numbers of children are hungry and undernourished, and that the schools are not being built? Will the right hon. Gentleman take every action available to him to impress on the Israelis that persecuting the people of Gaza will not bring peace?

Mr Hague: As I mentioned earlier, I raised the issue with all the leaders of the Israeli Government on my own visit to Jerusalem and Tel Aviv last week. The right hon. Gentleman is right that the school construction that we wanted to take place is not yet taking place. The British Government have announced additional help for the work of Mr Ging and UNRWA—£23 million of new support for the Palestinian Authority, £8 million of that for UNRWA and £2 million to help 300 businesses in Gaza. Britain is doing a lot to help the situation there and we must continue to do so.

Bob Blackman (Harrow East) (Con): I congratulate my right hon. Friend on an outstanding visit to the state of Israel last week, but Israel has clearly honoured obligations of humanitarian areas and aid for Gaza. Did the discussion that took place last week concentrate on the effect that Hamas has had in terms of its rocket capability and launching rockets and bombs into the state of Israel?

Mr Hague: It is important to bear in mind that dimension as well. The behaviour of Hamas obviously makes all those issues much more difficult to deal with. Indeed, I visited the family of Gilad Shalit, who is still imprisoned—held hostage—in Gaza, and I believe that he should be released immediately and unconditionally. So my hon. Friend is right that it is important to bear in mind that dimension to what is happening in Gaza, but I think that we are united in this House in making the case to Israel, as I did last week, that the best way to improve its security is to permit and encourage an improvement in the conditions in Gaza. That in itself will, over time, weaken Hamas and help to ensure that a new generation of Palestinians is not turned against Israel and against peace.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): I welcome the Foreign Secretary's recognition of the importance of lifting the blockade of Gaza. He will know the importance for the people of Gaza not just of lifting the blockade, but of being part of a viable Palestinian state alongside a secure Israel in a two-state solution. Therefore, what discussions did he have during his recent visit on the role of Gaza in the future peace process?

Mr Hague: Gaza plays, ultimately, a very important role in the peace process, because there cannot be a successful peace in the long term without its involvement and inclusion. The immediate priority is to get the peace process going again and the direct talks going, and of course I put the argument very strongly to Israeli leaders and on Israeli media that that requires a new freeze on Israeli settlement building on the west bank. That is the immediate issue, and in that regard the announcements that we have heard in the past 24 hours are extremely disappointing. The immediate priority is to get the direct talks going. A real settlement would have to involve Gaza as well.

Northern Cyprus

4. **Mr Matthew Offord** (Hendon) (Con): What recent discussions he has had with the Government of Turkey on the deployment of Turkish troops in Northern Cyprus; and if he will make a statement. [22528]

The Minister for Europe (Mr David Lidington): British Ministers raise the Cyprus settlement process with our Turkish counterparts at every opportunity. I last did so with both Turkey's Foreign Minister and Minister for Europe on 23 October. The presence of Turkish troops in Cyprus is one of the issues that will need to be resolved as part of a comprehensive settlement.

Mr Offord: I inform the House that I have registered an interest, as I attended the Morphou rally just a month ago. In addition to the religious and cultural destruction suffered by orthodox churches in the northern part of Cyprus, is the Minister aware of the desecration of graves in towns such as Morphou by the siting of army bases and the parking of fire tenders on Cypriot graveyards? What pressure can he bring to bear on the Turkish Government to stop such actions and return those sacred sites to their former use?

Mr Lidington: It is important that the Turkish Government lend their full weight to the negotiating process that is under way between the two Cypriot communities under the auspices of the United Nations special envoy, and the issues to which my hon. Friend has referred need to be considered as part of those discussions.

Mr Andrew Love (Edmonton) (Lab/Co-op): I hear what the Minister has said about the representations made to Turkey, but has he made any representations to either of the two community leaders, the President of Cyprus and the leader of the Turkish Cypriot community? What extra efforts are the British Government going to make, knowing that the UN has invited both leaders to go to New York? What extra efforts will be made to ensure that we have a proper, comprehensive peace settlement?

Mr Lidington: At both ministerial and official level, we are urging the leaders of the Greek Cypriot community, President Christofias, and of the Turkish Cypriot community, Mr Eroglu, to demonstrate leadership, flexibility and a willingness to compromise in the interests of everybody living on the island of Cyprus. We welcome the decision by both leaders to attend the meeting with Ban Ki-moon on 18 November. We remain in very close contact not just with the Governments of Cyprus and of Turkey, but with Mr Downer, the UN special envoy, and we will lend whatever support we are able to in the hope of bringing the negotiations to a successful conclusion.

Simon Hughes (Bermondsey and Old Southwark) (LD): Will the Minister for Europe make it absolutely clear that the British Government's position is to continue to seek a united, peaceful Cyprus for both communities, and that as one of the three guarantor powers we, with Turkey and Greece, will lead that effort at the United Nations and in this country, and reject the idea that there might be an acceptable settlement that divides the island between the two communities?

Mr Lidington: Our treaty obligations, as the hon. Gentleman implies, require us to prohibit any action which might lead to the partition of Cyprus or its union with another country. We remain committed to a bi-zonal, bi-communal federation where there is political equality and respect for the human and cultural rights of all.

Trade Promotion

5. **Sajid Javid** (Bromsgrove) (Con): What recent discussions he has had with ministerial colleagues on his Department's promotion of trade and industry. [22529]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): The Foreign and Commonwealth Office is totally committed to the creation of a strong and open global economy, and we are working with Ministers and their Departments across Whitehall to this end. During visits overseas and in London, FCO Ministers are continually pressing the UK's commercial interests. As we speak, my right hon. Friend the Prime Minister is leading a delegation of 50 business leaders to China.

Sajid Javid: The tectonic plates of the global economy are shifting from the west to the east, not to mention the resurgent economies of Africa. Fortunately, Britain is in a unique position to take advantage of this, given our location, our language, our culture and our legal system. Does my hon. Friend agree that to take full advantage of this change and to make Britain the gateway to the BRIC economies—Brazil, Russia, India and China—his Department has a critical role to play?

Mr Bellingham: I am grateful to my hon. Friend, and I agree with him entirely. Exports and an export-led recovery will play a key role in restoring Britain's economic fortunes. That is why trade promotion is one of our top three priorities. It is also why my right hon. Friend the Prime Minister has instructed our diplomats to focus relentlessly, along with UK Trade & Investment, on seeking out and securing new trade and investment opportunities.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): I refer to my entry in the Register of Members' Financial Interests.

I welcome the recent UKTI visit to the Kurdistan region of Iraq. May I press the Foreign and Commonwealth Office to ensure that its base in the Kurdistan region is effective and that it makes it clear to everybody that that part of Iraq is well and truly open for business?

Mr Bellingham: I agree entirely with the hon. Lady's comments, and I will certainly ensure that what she says is implemented. She might be interested to know that UKTI was recently voted by its international peers the best trade promotion body in the developed world.

Burma

6. **Dr John Pugh** (Southport) (LD): What recent reports he has received on the political situation in Burma; and if he will make a statement. [22530]

11. **Tim Farron** (Westmorland and Lonsdale) (LD): What recent reports he has received on the political situation in Burma; and if he will make a statement. [22535]

The Minister of State, Foreign and Commonwealth Office (Mr Jeremy Browne): Elections on 7 November were neither free nor fair. The military regime is clearly using them to entrench its grip on power. No political prisoners have been freed, including Aung San Suu Kyi. An opportunity for national reconciliation has been missed. The Government will maintain pressure on the regime until there is progress on both democracy and human rights.

Dr Pugh: I congratulate the Government on a very public and scathing criticism of this bogus democracy, but I suggest that they keep calling the generals' bluff and press the new Government to act like genuine democrats and release political prisoners who are committed to non-violence.

Mr Browne: I completely agree with my hon. Friend. I congratulate him on his consistent work with the all-party group on Burma. He is right to point out that there are more than 2,000 political prisoners in Burma. In those circumstances, it is impossible to see how the election can have been described as either free or fair by any observers. Although I very much hope that Aung San Suu Kyi is released, her release will not in itself wipe the slate clean.

Tim Farron: Given the absence of free and fair elections in Burma, how will our Government demonstrate leadership through Europe to maintain the arms embargo and ensure that the EU sends the strongest possible signals that the regime must release all its political prisoners?

Mr Browne: There is an agreed EU position on Burma set out in the European Council conclusions and decision of 26 April this year. The position of the British Government is entirely consistent with EU policy. EU sanctions on Burma are among the EU's toughest autonomous measures against any country, and they make plain our determination to see change. Sanctions are designed to target regime members and their associates, not to harm the ordinary people of Burma. The regime's complaints about sanctions suggest to us that they are biting.

Mike Gapes (Ilford South) (Lab/Co-op): The key country with influence in Burma is China. Can the Minister tell us what representations the Prime Minister is making to the Chinese authorities about the human rights abuses in Burma and the need for it to move to democracy?

Mr Browne: We regularly raise our concerns with the Chinese Government, and indeed with other countries in the region, and they can be under no illusions about the strength of our views on Burma. In addition, the Deputy Prime Minister and I raised the issue of Burma with Asian counterparts at the October Asia-Europe meeting in Brussels, and I have raised the matter during recent visits to the Philippines, Thailand, Indonesia, Japan and China.

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): Both sides of the House are united in condemnation of the Burmese regime for stealing this week's election. I welcome what the Minister has said about China, but I wish to press him. Will the Prime Minister raise the question of Burma during his visit to China? Burma's regional neighbours have a special responsibility to put pressure on the Burmese regime. Did the Prime Minister also raise the issue during his July visit to India, and if so, what was the Indian Government's response?

Mr Browne: This is my first opportunity to welcome the hon. Gentleman to his Front-Bench duties. We have something in common, of which not everybody in the House may be aware. We both contested Enfield, Southgate at the 1997 general election, although that contest is remembered primarily for somebody who is not present.

We raise Burma with the Chinese on a regular basis, as I have already said, and yes, the Prime Minister did raise the matter during his recent visit to India.

Nuclear Non-proliferation Treaty

7. **Cathy Jamieson** (Kilmarnock and Loudoun) (Lab/Co-op): What recent representations he has received on the UK's obligations under the nuclear non-proliferation treaty. [22531]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): We have received no recent representations about the UK's obligations. We welcome the result of the review conference in May, and particularly the final document, which the UK played a leading part in negotiating. We were able to announce for the first time our nuclear warhead capability and a re-evaluation of the declaratory principle, which has now taken place.

Cathy Jamieson: I thank the Minister for that answer, but does he have any concern that the announcement of a 50-year Anglo-French nuclear deal undermines in any way our commitment to achieving nuclear disarmament at an early date, as outlined in article VI of the nuclear non-proliferation treaty?

Alistair Burt: No. I thank the hon. Lady for her question and am aware of her background in the matter. The arrangement with the French is entirely consistent with our obligations under the nuclear non-proliferation treaty. It is designed to ensure that we safeguard the reliability and maintenance of our nuclear weapons stockpile, and it makes sense. We are proceeding, through the non-proliferation treaty talks, towards a world of disarmament, and maintaining our nuclear capability and signing the treaty in no way belies that undertaking.

Dr Julian Lewis (New Forest East) (Con): Given that article VI of the nuclear non-proliferation treaty does not require either France or the UK to give up their nuclear weapons while other countries remain nuclear powers, is it not particularly unfortunate that the Government have thrown the future of the British nuclear deterrent into doubt by postponing the vital main gate decision to the other side of the general election?

Alistair Burt: No. I do not think there is any doubt about the United Kingdom's position on the nuclear deterrent, and in fact everything that we have done since the election confirms our intention to both maintain the security and defence of the UK and stake our international obligations on the future prospects for disarmament to the fullest extent.

Overseas Territories

8. **Bridget Phillipson** (Houghton and Sunderland South) (Lab): What his policy priorities are for the overseas territories in 2011; and if he will make a statement. [22532]

12. **Yasmin Qureshi** (Bolton South East) (Lab): What his policy priorities are for the overseas territories in 2011; and if he will make a statement. [22536]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): My right hon. Friend the Secretary of State and I are passionate about the overseas territories, as they are an important part of the British family. We are developing a new strategy for them involving the whole UK Government, with the aim of bringing renewed focus to our relationship with them. We have a particular responsibility to ensure the security and good governance of the overseas territories, as well as to support their economic well-being.

Bridget Phillipson: Specifically on the Turks and Caicos Islands, will the Minister update the House on the progress of Helen Garlick's investigation into corruption there and when he anticipates its reporting in full?

Mr Bellingham: I visited the Turks and Caicos Islands recently and had a couple of meetings with Helen Garlick. I also met her, along with my counterpart from the Department for International Development, the week before last. She assured me that the investigation is making good progress, and she is hopeful that she will be able to prefer charges early next year. That will be an important milestone in our plans to get the Turks and Caicos Islands back on their feet.

Yasmin Qureshi: Following on from my hon. Friend the Member for Houghton and Sunderland South (Bridget Phillipson), will the Minister tell the House how much money the UK Government have given to the Turks and Caicos Islands for the maintenance of their Government and public services?

Mr Bellingham: I am grateful to the hon. Lady for her question on the Turks and Caicos Islands. In a written statement in July, the Secretary of State for International Development announced plans for the provision of a temporary package of financial support. Work to put the package in place is currently underway. To address the immediate shortfall, the Department for International Development provided a loan of £9.7 million to the Turks and Caicos Islands between June and August, and provided a further loan of up to £10 million to cover the period from September to November. We are determined to get the territory back on a firm financial footing and to ensure that its finances are in order, and then we can announce elections. Hopefully, I will be able to make a statement on that later this year or early next year.

Andrew Rosindell (Romford) (Con): I congratulate the Government on their new, refreshing and positive approach to British overseas territories. Will the Minister tell us something about the Pitcairn Islands? It has been a British territory since 1838—it was the first British territory in the Pacific. Will the Minister confirm that the Pitcairn Islands will remain British for as long as there is a Conservative Government?

Mr Bellingham: I am grateful to my hon. Friend for that question. He is an indefatigable champion of the OTs in this place. Let me assure him that both my right hon. Friend the Foreign Secretary and I are passionate about the overseas territories. I have waited 27 years, from first coming into the House, to become Minister with responsibility for the overseas territories. I have no intention of doing anything other than respecting their wishes and their right to self-determination and trusting them.

Bob Russell (Colchester) (LD): No Minister has ever visited the island of St Helena. *[Interruption.]* I acknowledge that the former president of a European nation was once there. Will the Minister please discuss with his colleagues in DFID the construction of the airport on the island, with a view to bringing it forward as quickly as possible?

Mr Bellingham: I am grateful to the hon. Gentleman, my coalition colleague, for that question. I will do all that I can to facilitate his visit to St Helena, which is an important overseas territory. I am delighted that one of the first things that DFID did was to put an end to the prevarication and delays in the announcement of the airport. The project, which will cost a substantial amount of money, will hopefully go forward apace. Although I do not want to prejudge the commercial negotiations that will have to take place, the news is, none the less, good.

Emma Reynolds (Wolverhampton North East) (Lab): The Chief Secretary to the Treasury recently said that tax evasion and avoidance were unacceptable, and he

announced a crackdown on those hiding money offshore. Will the Minister explain to the House why his Government have abandoned the demands of the previous Government for the Cayman Islands to give up their tax haven status and introduce some form of direct taxation?

Mr Bellingham: I am grateful to the hon. Lady for her question, and I congratulate her on her appointment. Having been a special adviser at the Foreign Office, she will have a great deal to bring to her new Front-Bench job. The previous Minister with responsibility for the overseas territories, the hon. Member for Rhondda (Chris Bryant), approved last year's Cayman Islands' borrowings at £217 million with conditions attached. This year, I approved borrowings of £123 million, with the same conditions attached. For the Cayman Islands to get their economy moving again, we strongly feel that they need to maintain their offshore status, and we are following the policy of the previous Government.

Afghanistan

9. **Pat Glass** (North West Durham) (Lab): What recent assessment he has made of the political situation in Afghanistan; and if he will make a statement. [22533]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): We assess that steady progress has been made since the successful Kabul conference. The High Peace Council has been established, and it is working towards the political settlement. The UK is working with groups or individuals who are willing to accept the conditions that were laid down by President Karzai for a political settlement. Insurgents should cut ties with al-Qaeda, renounce violence and work within the constitutional framework.

Pat Glass: I thank the Minister for that answer. There have, however, been some differences between recent statements made by President Obama and the Prime Minister on troop withdrawal dates for Afghanistan. Can the Minister confirm that President Obama and the Prime Minister are talking to one another about these important issues, given that any discrepancies give succour to the Taliban and expose our troops to greater risk?

Alistair Burt: I do not think there is any discrepancy. The interests of all the international forces—48 countries are now represented—are the same: to ensure that the Afghans have a stable and secure country, and self-governance without outside influence. The work to ensure that that happens will be carried out by combat troops from this country until 2015, but the necessary work of development and governance will continue after that. The international forces are working together on these plans and proposals, are constantly in contact with each other and are working towards a series of political and military objectives in Afghanistan, with the full co-operation and activity of the Afghan Government.

Mr Oliver Heald (North East Hertfordshire) (Con): There are reports that in Kandahar the Taliban are infiltrating the city, while progress is being made in the rural area outside. What is the Minister's assessment of the political situation in Kandahar, and does he think that overall we are still making progress?

Alistair Burt: We do believe that progress is being made. It is a cautious process everywhere, and my hon. Friend is right to draw a distinction between provinces. Last week, we had a successful visit from Governor Mangal of Helmand, who was able to report on two years of progress in the economy and on health, as well as security. He also paid a moving visit to the national memorial to show his debt of gratitude to our troops who have given their lives, and met the mother of one of the soldiers who gave their lives in defence of Helmand. It is a complex process, but Kandahar is making progress. It will always be patchy, but it reminds us of the debt we owe to those who are making life safe and more secure for those in Afghanistan.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): Following the sad death of Linda Norgrove in Afghanistan, her family have started the Linda Norgrove Foundation—the website is lindanorgrovefoundation.org—in her memory to help to raise funding for women, families and children in Afghanistan so that they can access education, health care and child care, as well as scholarships for women so that they can go to university. Her family were heartened by the attendance of the Minister with responsibility for Afghanistan at her funeral. I know that we have both been struck by the—

Mr Speaker: Order. This is an extremely sensitive matter, and I was aware of the interest of the hon. Gentleman, but he must bring himself to a question straightaway.

Mr MacNeil: Will the Minister support the setting up of the foundation and encourage and back its arrival on the public scene?

Alistair Burt: I am grateful to the hon. Gentleman for raising this issue. Attending Linda Norgrove's funeral on the Isle of Lewis was one of the most moving and important things I have done as a Minister. I think we have all been struck by her family's remarkable ability to respond to the situation without bitterness or rancour, but with deep appreciation of what that young woman achieved. It would be in the interests of the Foreign Office and all of us to support the aims and objectives of the foundation in memory of her and others who work so hard to bring development to the women and children of Afghanistan.

Mr John Spellar (Warley) (Lab): In June the Prime Minister indicated that he was planning troop withdrawals from July 2011, which is reinforced in the business plan. Will the Minister outline his current thinking on troop levels for the next 12 months?

Alistair Burt: The Prime Minister made it clear that that was only a possibility, and of course it depends on circumstances. The major commitment made is to ensure that troop withdrawals are completed by 2015, and in that time, as I indicated earlier, the objective is to ensure that Afghans themselves have the opportunity to ensure that their country is secure, through the Afghanisation of the police and the Afghan national army. That work and training are going ahead. Last week Governor Mangal said that the province was becoming more secure, and that the training was on track. I am sure that the timetable that the Prime Minister has laid out will be adhered to.

Defence Capabilities

10. **Mr David Hamilton** (Midlothian) (Lab): What recent discussions he has had with the Secretary of State for Defence on the defence capabilities required to meet his foreign policy objectives. [22534]

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I have had extensive discussions with my right hon. Friends the Prime Minister and the Defence Secretary, and other members of the National Security Council. The national security strategy and the strategic defence and security review set out our place in the world, our foreign policy objectives and the breadth of capabilities that we require to meet those objectives. Together they demonstrate the strategic and co-ordinated approach the Government are taking to advance our national interests and protect our security.

Mr Hamilton: I thank the Secretary of State for that answer. Does he agree that a robust foreign policy must, by its very nature, have a strong military capability to back it up, as we saw with the role that we played in Sierra Leone and Kosovo, for example? Is he satisfied that we still have that capability, following the defence cuts that are being made?

Mr Hague: I am satisfied that we still have the necessary capabilities. We have had to sort out a defence budget that was £38 billion overcommitted when we inherited it, but as Secretary Clinton of the United States said:

"We are reassured that the UK conducted its review in a thoughtful and clear-eyed manner, and that the result will be a UK military capable of meeting its NATO commitments and of remaining the most capable partner for our forces as we seek to mitigate the shared threats of the 21st Century."

Rory Stewart (Penrith and The Border) (Con): Will the Secretary of State please clarify the way in which foreign policy can really drive defence policy institutionally, and in particular, could you define the relationship between the National Security Council and the Joint Intelligence Committee?

Mr Speaker: Order. I cannot, but I feel sure that the Foreign Secretary can.

Mr Hague: Yes, I can. That is one of the objectives of setting up a true National Security Council, on which the Foreign Secretary sits with the Defence Secretary and the Chairman of the Joint Intelligence Committee—and, indeed, with the directors of all our intelligence services. Really for the first time on a systematic and weekly basis—sometimes more than once a week—we sit together and look at the issues of foreign and defence policy in the round. That is a huge step forward in the way British government works.

European Union

13. **Pamela Nash** (Airdrie and Shotts) (Lab): What his priorities are for the European Union in 2011; and if he will make a statement. [22537]

The Minister for Europe (Mr David Lidington): In 2011, our priorities for the European Union will be to ensure, first, that it can seek to deliver economic growth, through action to increase trade, competitiveness and jobs; and secondly, that it demonstrates effective control over its own spending.

Pamela Nash: I thank the Minister for that answer, but can he explain to the House why the European Parliament's lead budget negotiator has stated that the EU spending increase is likely to be at least 4.5%, when the Prime Minister is still publicly stating that there will be a 2.9% cap?

Mr Lidington: I think the MEP concerned is demonstrating a certain amount of wishful thinking. Our position remains that we are not prepared to accept anything beyond 2.9%, and the Prime Minister was able to win the support of 12 other Heads of Government for that position at the recent European summit.

Chris Heaton-Harris (Daventry) (Con): At a time when the European Commission's accounts have not been signed off for the 16th year running, would that not be a decent priority for the Government to raise in the coming year?

Mr Lidington: It certainly forms part of the efforts that we need to make to ensure much more effective budgeting and expenditure control by all the European Union institutions. As my hon. Friend knows, part of the problem is not simply fraud; it is the over-complicated, bureaucratic nature of many European Union rules. That root cause needs to be addressed.

Kelvin Hopkins (Luton North) (Lab): May I suggest to the Minister that our priority should be to seek the abandonment of the common fisheries policy, which is universally regarded as nonsense and has been a major factor in the depletion of fishing stocks in the North sea and elsewhere?

Mr Lidington: My right hon. and hon. Friends from the Department for Environment, Food and Rural Affairs will be trying to ensure in the forthcoming fisheries negotiations that we reform the fisheries policy in a way that delivers the proper conservation of fish stocks and the marine environment.

Mr Peter Bone (Wellingborough) (Con): Could the Minister reconfirm that it is a priority of the coalition Government to veto any transfer of powers to Brussels by treaty, and thereby also confirm that there will never be a need for a referendum on Europe during this Parliament?

Mr Lidington: It is certainly the policy not just of my hon. Friend's party and mine but of the coalition Government as a whole that there should be no transfer of powers or competence to the European Union by way of treaty change for the duration of this Parliament, up to 2015. We also intend to introduce legislation to ensure that any future British Government would need to seek the approval of the British people through a referendum if they ever sought to impose such a transfer of powers or competencies.

Moldova

14. **Alun Michael** *(Cardiff South and Penarth)* (Lab/Co-op): What his most recent assessment is of the political situation in Moldova; and if he will make a statement. [22539]

The Minister for Europe (Mr David Lidington): Early parliamentary elections will be held in Moldova on 28 November 2010. It is important that these elections are held to internationally accepted democratic standards. High standards of democracy, human rights and media freedom are essential for Moldova to continue to move closer to the mainstream of the European family of nations, and the UK is playing a full role in monitoring those elections.

Alun Michael: I thank the Minister for that reply, which is encouraging about the processes. Does he agree that it is important that we help to consolidate the democratic processes in Moldova, and help to resolve the problem of Transnistria? Does he encourage British MPs to engage with our counterparts in the Moldovan Parliament towards those ends?

Mr Lidington: I certainly encourage colleagues on both sides of the House to engage in the way that the right hon. Gentleman, who is vice-chairman of the all-party group on Moldova, suggests. When I visited Moldova recently, I was struck by the courage and determination of the democratic politicians there. I think it is important for all parties in this House to demonstrate our support for Moldovan democracy.

Mr Gary Streeter (South West Devon) (Con): Is it not one of the great successes of the last 20 years that countries from the former Soviet Union in the east of Europe, such as Moldova, have moved from the dead hand of communism towards democracy? If Moldova ends up with a coalition Government after its forthcoming election, will the British Government have any particular expertise to offer them?

Mr Lidington: It is always dangerous for one country to try to export exactly its own way of doing things to a different nation, but we will do whatever we can to address the continued impasse with Transnistria, and to entrench democracy and the rule of law in Moldova.

Topical Questions

T1. [22549] **Gavin Williamson** (South Staffordshire) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Foreign and Commonwealth Affairs (Mr William Hague): I have just returned from Israel, the Palestinian Authority and Egypt, where I lent British support to efforts to restart the middle east peace process, and discussed vital security issues, including Iran's nuclear programme. I look forward to discussing those matters further with Secretary Clinton in the US next week, when I will lead a special UN Security Council session to discuss the situation in Sudan. I will meet President Abdullah Gül of Turkey later today, and tonight I will give the Canning lecture in which I will emphasise the importance of building links and elevating our relations with Latin American countries.

Gavin Williamson: Will my right hon. Friend assure the House that he will continue to put pressure on the Iranian Government to stop their appalling abuse of human rights?

Mr Hague: Yes, I certainly will. I discussed the matter directly with the Iranian Foreign Minister, Mr Mottaki, when I met him at the UN General Assembly in New York at the end of September, and I made this country's views on human rights in Iran absolutely clear. The Under-Secretary, my hon. Friend the Member for North East Bedfordshire (Alistair Burt), and I have often made statements to the same effect, and we continue to lead and rally opinion in other nations to raise those issues.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): May I welcome the Government's delegation to China and its work to strengthen economic ties? We wish it well. The Foreign Secretary knows that the strategic dialogue that was agreed with China before the election also provided a framework to pursue human rights and climate change, as well as trade and the economy. Given the importance of human rights, as well as economic ties, will he assure the House that the Prime Minister will raise the case of Liu Xiaobo with Premier Wen during his visit?

Mr Hague: I thank the right hon. Lady for what I think is support for the strong continuity of policy with China. The last Government pursued an expanded commercial and economic relationship but also raised human rights issues, and that is exactly this Government's approach. When I conducted the strategic dialogue in Beijing in July, I raised Liu Xiaobo's case, and I did so directly with Premier Wen. The Prime Minister will certainly be raising human rights issues on his visit, and we will give the details when he has had those meetings.

T2. [22550] **Greg Mulholland** (Leeds North West) (LD): Now that legal routes seem to have been exhausted following the disappointing High Court judgment on investment scams in Northern Cyprus, will the Secretary of State confirm that the Minister will take up the matter, and will he meet me, my constituent Sandra Kacinski and other victims to discuss it?

The Minister for Europe (Mr David Lidington): I am very happy to meet my hon. Friend and his constituent, as well as other colleagues, to discuss this issue, which we take seriously.

T7. [22555] **Mr Jack Straw** (Blackburn) (Lab): Although I fully understand our treaty obligations on Cyprus, and I wish next week's talks with Ban Ki-moon well, will the Foreign Secretary acknowledge the reality that there continues to be de facto partition, from which the Greek Cypriot side benefits and with which it is comfortable, but which leaves the Turkish Cypriots in isolated limbo? Does he agree that that situation cannot go on as it is?

Mr Hague: The right hon. Gentleman is right to recognise our treaty obligations. He will know that we want the forthcoming talks hosted by the UN Secretary-General to be a success and that, as my hon. Friend the Minister for Europe said earlier, we have been supporting

the work of Alexander Downer, the UN negotiator. I read the right hon. Gentleman's article in the newspapers yesterday, so I am fully cognisant of his views on this matter, but I am sure he will appreciate that, as the incumbent Foreign Secretary, I do not want to say anything at this moment that might make those talks more difficult.

T3. [22551] **Richard Graham** (Gloucester) (Con): I am delighted that the Prime Minister is visiting China today. Will the Foreign Secretary join me in congratulating Renishaw and other fine Gloucestershire companies on the growth of their exports to China? Does he agree that other companies should be encouraged to follow their path of hard work and success in that crucial market?

Mr Hague: Yes, absolutely; I congratulate that firm and many others. The agreements signed during the Prime Minister's visit to China could add up to about £1.7 billion of contracts. We have already seen the announcement of a huge contract for Rolls-Royce engines earlier today, and my hon. Friend has given us another excellent example of how British businesses can do much more in China.

T8. [22556] **Mrs Linda Riordan** (Halifax) (Lab/Co-op): Does the Minister share my concern, following Richard Falk's comments, that the Israeli occupation of Palestinian land is irreversible? Will he assure the House that the Government are doing everything they can to press for a Palestinian state and to support the Palestinian people?

Mr Hague: We certainly are doing that. I visited Ramallah last week and met Prime Minister Fayyad of the Palestinian Authority. I also met non-violent Palestinian human rights activists and other leading figures in east Jerusalem. During my visit, I restated the position of this country, and indeed of the whole European Union, which is that we want to see a settlement based on the 1967 borders with a just settlement for refugees and with Jerusalem as the capital of both states. That is the clear British Government position.

T4. [22552] **Andrea Leadsom** (South Northamptonshire) (Con): May I applaud my right hon. Friend's decision to focus the FCO's attention on promoting British exports?

Mr Denis MacShane (Rotherham) (Lab): You can, you can!

Andrea Leadsom: Thank you. Can my right hon. Friend also reassure me that, as well as promoting exports, the FCO will play its part in attempting to reduce the interminable red tape that is preventing a company in my constituency, Enterprise Control Systems, from servicing the award-winning defence products that it is successfully selling overseas?

Mr Hague: My hon. Friend is welcome to applaud that decision and anything else she might wish to applaud; we are grateful to her for that. Cutting barriers to trade is an important part of our approach to expanding British commerce. In many of our meetings with other Governments, we ask for improved market access. If she would like to give me the details of the difficulties that the company in her constituency is experiencing, we will look at that matter specifically.

Several hon. Members *rose—*

Mr Speaker: Order. We have a lot of interest and little time, so I need short questions and short answers.

Mark Hendrick (Preston) (Lab/Co-op): The Foreign Secretary will be aware of the multilateral surveillance procedures for EU budgets, which apply to all member states, whether they are in the euro or not. Is he aware of Com. (2010)526, which makes it plain that we have to provide more financial information to the European Union, whether we are in the eurozone or not?

Mr Lidington: When my right hon. Friend the Chancellor took part in the taskforce, he ensured that we would not need to supply anything to the European Commission that had not been given to Parliament first or that the Commission would be unable to find through the intelligent use of Google. I do not think that the hon. Gentleman has anything to be afraid of.

T5. [22553] **Dr Julian Huppert** (Cambridge) (LD): I am pleased that the Prime Minister will raise human rights issues while he is in China. I hope this is a sign of a Government who take international human rights seriously and who want to have a truly ethical foreign policy. Will the Prime Minister also take the opportunity to talk to the Chinese about the sale of weapons to Sudan and ensure that they are not used there to cause human rights problems and further the conflict?

Mr Hague: I thank my hon. Friend for his support for the approach we take to human rights. As he knows, we argue that that goes hand in hand with the expansion of trade and business across the world because it is the rule of law and respect for human rights that help to assure businesses that they are able to do business across the world.

I very much take note of and agree with the point about Sudan. As I mentioned earlier, I will be chairing a special session of the United Nations Security Council specifically to discuss the situation in Sudan. One of our objectives is to show that the whole world is working together and that China—it is, of course, a permanent member of the Security Council—participates fully in the vision for the future of Sudan that we will set forth.

Phil Wilson (Sedgefield) (Lab): If the inter-city express programme goes ahead, Hitachi will build the rolling stock in Newton Aycliffe, adjacent to the Foreign Secretary's constituency. The Foreign Secretary said in Japan in August that Britain is open for business. I know that the British Prime Minister and the Japanese Prime Minister have spoken about this issue, but if it does not go ahead, what effect does the right hon. Gentleman think that will have on bilateral relationships with Japan?

Mr Hague: Of course, we have had strong representations—to the Prime Minister, to me and to other Ministers—from the Japanese Government about that, as one would expect. This is a very important project. At the same time, as the hon. Gentleman knows, we have to get Government expenditure under control, so the decision is primarily one for my right hon. Friend the Secretary of State for Transport. The hon. Gentleman's representations will, as ever, be conveyed to the Secretary of State.

T6. [22554] **Mr Sam Gyimah** (East Surrey) (Con): Does my right hon. Friend agree that combating piracy off the coast of Somalia is vital to protecting the UK's trading interests? Will we take a lead in finding a political solution inland, as opposed to dealing with what is happening offshore?

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Henry Bellingham): I am grateful to my hon. Friend and I agree with him. The Royal Navy is playing a leading role in the counter-piracy operations. Once pirates are captured, they need to be detained, tried and imprisoned. That is why we are working with countries like Kenya, the Seychelles and Tanzania to provide this capacity. I agree that we must try to find a political solution on the land, as that is the only way to eliminate this evil crime.

Jeremy Corbyn (Islington North) (Lab): Three people were killed yesterday when Moroccan forces clashed with Sahawi people in a refugee camp outside Layoun in occupied Western Sahara. Will the Foreign Secretary intervene urgently with the Government of Morocco and the UN to bring about a resolution to this crisis? It has gone on for more than 30 years, and people are wasting their lives in refugee camps when they should be allowed to return home to their own land and decide their own future – not under occupation.

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alistair Burt): I appreciate the hon. Gentleman's concerns; he came to see me last week to discuss Western Sahara. The circumstances of the most recent incident are still unclear, and we have asked for monitoring by our own people based in Morocco. The hon. Gentleman's concerns are shared by many: Western Sahara is an issue that has gone on too long and the problem is very difficult to resolve.

T9. [22557] **Charlie Elphicke** (Dover) (Con): Can the Minister tell us how the Van Rompuy economic governance proposals will help to ensure that European economic crises are better managed in future so that we are not all taken unawares again?

Mr Lidington: The taskforce conclusions are intended to provide a framework for stability and decent economic governance in the eurozone so that never again are all European economies taken by surprise by the sort of financial collapse that we saw in certain southern European economies about 18 months ago. It is profoundly in the interests of the UK that the eurozone should be strong and stable, given the interdependence of their economic interests and ours.

Richard Burden (Birmingham, Northfield) (Lab): Does the Foreign Secretary agree that one of the less well known but most insidious aspects of the blockade of Gaza is that Israel threatens to shoot any Palestinian considered to be near the Israeli border? Israel defines 17% of the entire territory of the Gaza strip as constituting nearness to that border, while 17 of the 22 Palestinians killed have been killed in the area. What can the Foreign Secretary do to get Israel to see sense on that issue?

Mr Hague: There have certainly been shooting incidents in the area. That underlines the importance of what we discussed earlier: a different approach to Gaza. We need to ensure that reconstruction takes place to prevent, for instance, arguments and incidents involving people who try to collect building materials from near the border and are shot at. That is one of the controversial incidents that have taken place. An improvement in reconstruction and a general improvement in economic conditions would be at least a first step towards dealing with the situation that the hon. Gentleman has described.

T10. [22558] **Miss Anne McIntosh** (Thirsk and Malton) (Con): I applaud the Foreign Secretary for obtaining the agreement of 12 other member states to a cap on any increase in the European Union budget. Can he square that with the EU treaty provisions which state that the budget must be set through co-decision between the institutions? What progress can be made in that regard?

Mr Hague: That is the position of 13 members of the European Council. They are therefore able to resist any proposal for a budget increase larger than 2.9%. As my hon. Friend has said, the procedure involves co-decision between the Parliament and the Council, and negotiations are now commencing. If there is no agreement, the 2010 budget will be rolled over into 2011. Everyone concerned had better bear that in mind.

Ian Austin (Dudley North) (Lab): Does the Foreign Secretary realise how fed up people are with the foot-dragging over the universal jurisdiction issue? Instead of all these vague promises, why can we not have a simple, straightforward piece of legislation to sort the problem out once and for all?

Mr Hague: It is a bit of a cheek for someone who supported the last Government to ask that question. The last Government's feet were not dragged, they were stuck solid in the cement of inertia that characterised their closing months in office. We have set out what we are going to do. We will introduce the relevant clauses in the next few weeks, and I hope that, given the support of Opposition Members, they will be passed in the current Session of Parliament. Where there was complete inaction opposite, there has been rapid action on this side of the House.

Jane Ellison (Battersea) (Con): I am grateful to my right hon. Friend and the Under-Secretary, my hon. Friend the Member for North East Bedfordshire (Alistair Burt), for the attention that they have given recently to the case of Shaker Aamer, who has been detained in Guantanamo Bay for eight years. He is a former resident of my constituency, and his wife and four children remain my constituents. Ministers are aware that this is a critical period. Will they undertake to press their United States counterparts hard, in person, for Mr Aamer's early release back to the United Kingdom?

Alistair Burt: I met my hon. Friend and Shaker Aamer's father-in-law only last week. This is a very difficult case, and it is not entirely up to the United Kingdom, but our position is that we are seeking the return of Shaker Aamer to the UK, and will continue to press the United States authorities to that effect.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): I have just returned from Mexico, where I saw at first hand the human rights abuses of Los Mineros, the

miners who have been on strike for four years. I understand that there is to be a ministerial visit shortly. Would it be possible for me to meet the appropriate Minister so that he can hear of the atrocities of which I heard?

The Minister of State, Foreign and Commonwealth Office (Mr Jeremy Browne): The hon. Gentleman is right: I shall be visiting Mexico the week after next. It would be good for us to meet beforehand to discuss the concerns that he has just raised.

Claire Perry (Devizes) (Con): My constituency is home to many refugees from Zimbabwe, including 80-year-old Peter Seymour-Smith, who fled the country when his land and business were confiscated. He has said that he would go back if free and fair elections were held, which President Mugabe has intimated might be a possibility. What steps would the ministerial team take to ensure that if the elections were held, we would not see a repeat of 2008's shameful practices and vote-rigging?

Mr Speaker: I am grateful to the hon. Lady. I hope that she will now take a breath.

Mr Bellingham: I am grateful to my hon. Friend for her question and for her special interest in Zimbabwe, which is due to the fact that a constituent of hers is an expert on it. I entirely agree with her. It is essential for any forthcoming elections to be properly monitored and observed. It is also essential for monitors and observers to be in place at an early stage to monitor the electoral registration process, to have full access to all the remote areas, to monitor the poll on the day and to monitor the count. We are working with the Southern African Development Community and other organisations to ensure that there is no repeat of 2008.

Mr Speaker: Let me just say to the hon. Member for Devizes (Claire Perry) that what I said earlier was a compliment.

I am sorry that I have not been able to call every Member, but there is a great deal of interest and no time.

Armed Forces Charter

Motion for leave to bring in a Bill (Standing Order No. 23)

3.34 pm

Thomas Docherty (Dunfermline and West Fife) (Lab): I beg to move,

That leave be given to bring in a Bill to give statutory effect to certain aspects of Armed Forces personnel's and veterans' welfare provision; and for connected purposes.

Let me begin by—*[Interruption.]*

Mr Speaker: Order. I ask the hon. Gentleman to resume his seat. It would be helpful and courteous if Members leaving the Chamber did so quickly and quietly. I certainly want to hear Mr Thomas Docherty.

Thomas Docherty: Thank you, Mr Speaker.

Let me begin by paying tribute to the armed services, at this time of all times, for the sacrifices that they have made and continue to make on behalf of our nation. It is also proper that we recognise the sacrifice made by their families, and I am sure that the House is at one in showing its support both for our brave service personnel and for their families.

It is right that the issue of the welfare of service personnel and their families should have crossed the political divide. In that spirit, I congratulate my right hon. Friend the Member for Coventry North East (Mr Ainsworth) and my hon. Friend the Member for North Durham (Mr Jones) on their work in the previous Government on producing last year's Green Paper on the service personnel. The Command Paper brought together proposals from across Departments to support not only our armed forces and their families, but veterans of current and previous conflicts.

Although it is absolutely right that attention focuses on casualties from current conflicts, we must not forget that our veterans should expect a lifelong commitment from a grateful nation. We should also recognise the work done by service charities, and I wish to place on the record my thanks to the Royal British Legion for highlighting that important area and the need for an armed forces charter.

The House has recognised that many veterans face varied challenges on return from active duty, and the Royal British Legion is right to highlight the fact that returning personnel are more likely to develop psychological symptoms as a result of their experiences in Afghanistan and Iraq. This nation has a duty of care to them and their families. Opposition Members have to agree with the legion that the Ministry of Defence needs to introduce more effective prevention and treatment strategies to tackle mental health problems, binge drinking and drug abuse.

As the chairman of the Royal British Legion said recently:

"The legacy of the fiercest fighting since the Second World War will be the nation's to meet for decades to come... politicians...have a...lifelong duty of care to protect and support veterans and their families. The Military Covenant must be honoured, both for those currently serving and those who have served."

This House has heard and debated many of the challenges facing our veterans as they return from active service or leave our armed forces. Although we should acknowledge the steps taken by both this and previous Governments, the time has come to place on a statutory footing certain aspects of the welfare provision that should be offered by central and local government, and to take the issue out of party politics.

My right hon. and hon. Friends worked hard in the last Government to improve the standard of accommodation for personnel and their families. Under their plans, 75,000 single-bed spaces will be modernised or upgraded to a higher standard by 2013, and I pay tribute to their efforts in this area. However, there will still be a shortfall of some 35,000 bed spaces that are below the acceptable standard, and it is regrettable that this Government have no plans as yet for the upgrading of 25,000 bed spaces outside the current schedule.

For family homes in the UK, the situation is even worse, according to the Royal British Legion. Of the 50,000 service personnel family homes, two thirds do not meet the Ministry of Defence's own definition of high quality. Under current plans, it will take 20 years to bring all family accommodation up to the higher standard. We bring forward this Bill today in recognition of the continuing sacrifices made by our brave men and women in the armed forces, and by their families, and in recognition of the fact that our nation must honour its debt of gratitude in a fitting and practical way.

Question put and agreed to.

Ordered,

That Thomas Docherty, Ms Gisela Stuart, Mr Michael McCann, Grahame M. Morris, Mr Ian Davidson, Mr Bob Ainsworth, Hugh Bayley, Ian Murray and Tom Blenkinsop present the Bill.

Thomas Docherty accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 11 November and to be printed (Bill 104).

Opposition Day

[5TH ALLOTTED DAY]

Housing Benefit

3.40 pm

Mr Douglas Alexander (Paisley and Renfrewshire South) (Lab): I beg to move,

That this House believes that, whilst housing benefit is in need of reform, the Government's proposals will mean significant losses for hundreds of thousands of working families and pensioners and risk spending an additional £120 million on the cost of providing temporary accommodation; and calls on the Government to bring forward revised proposals for the reform of housing benefit which do not penalise those who have been unable to secure employment within 12 months, and which ensure that any proposals are implemented on a revised timetable which allows councils, tenants and landlords to adjust, allows the impact on rents to be observed and understood, and avoids additional spending on temporary accommodation.

It is common ground across the House that the deficit needs to be cut and that, as the motion states, housing benefit needs to be reformed. The shadow Secretary of State for Communities and Local Government, my right hon. Friend the Member for Don Valley (Caroline Flint), will speak later and I am sure she will reflect the views of many in this House in recognising that the issue of housing benefit cannot, and should not, be detached from broader issues of housing provision. However, it is important to start the debate by setting out some of the facts that explain the real and rising concerns that have been expressed from both sides of the House about the impact of the Government's proposed housing benefit changes. I will address first the reach of the changes, then the reason for them, and finally their potential impact.

If we were to believe everything we read in the newspapers, we would have thought in recent weeks that housing benefit reform is solely a London issue and that it matters only to people who have large houses and should be, but are not, working. Broadcasts and newspapers have suggested that the key issues are workshy families in Mayfair mansions, so let us start with some truths, however inconvenient they are for the Opposition Front Bench. Some 4.7 million people in the United Kingdom currently receive housing benefit, 2 million of whom are pensioners on pension credit guarantee of just about £132 a week, while 500,000 are people on jobseeker's allowance and 700,000 are people in work in low-paying jobs. From just one measure of the Government's proposed changes alone—the cut in local housing allowance from the 50th to the 30th percentile—700,000 of these, many of the poorest people in our country in and out of work, stand to lose on average £9 per week.

Robert Flello (Stoke-on-Trent South) (Lab): I am looking forward to hearing the rest of what I know will be a very passionate and important speech. Does my right hon. Friend agree that many people—not only in my constituency, but throughout the country—who have disabilities or who are carers for people with disabilities are terrified that these proposals might affect them?

Mr Alexander: To illustrate my hon. Friend's point, one of the depressing aspects of the changes is that we have not yet had a comprehensive impact assessment; I will discuss that during the course of my remarks. We have had figures about the proposed changes from the Department for Work and Pensions, which confirm that they will hit every part of Britain, and from the smallest flat upwards. A poor pensioner living in a single-bedroom flat in Glasgow will lose £7 a week, and a family in a two-bedroom flat in Liverpool will lose £10 a week. Housing benefit recipients in Yorkshire and Humberside are most likely to lose out from this 30th percentile measure, with 90% of local housing allowance recipients seeing a reduction in their housing benefit.

Little wonder that Shelter's chief executive, Campbell Robb, explained only yesterday:

"The focus of debate so far has been the cap to housing benefit and the impact on London, but this analysis shows that these cuts will affect hundreds of thousands of people across the country."

That is why the Church of Scotland, a body with a long and distinguished tradition of work and witness in deprived communities across Scotland, on Friday wrote to every Scottish Member of Parliament, raising concerns and questions in advance of today's debate about the impact of the proposed measures on the communities it serves. Today, Shelter in Cornwall raised concerns about the Government's proposals, saying:

"The reality is that we are going to be facing much more homelessness and more evictions because of this. Cornwall's low incomes mean that lots of hard working people do have to claim housing benefit."

Mr Jim Cunningham (Coventry South) (Lab): Does my right hon. Friend realise that many people not affected by the cuts are appalled that this Government sought out the poor and needy and attacked them with these cuts?

Mr Alexander: I am grateful to my hon. Friend for that question. I hope that the Secretary of State will take the opportunity to explain to the House and indeed to the country why, in the package of measures contained in the spending review, the Government decided to take more money from the nation's families than the nation's banks.

Calls for a rethink on these proposals have also come from the hon. Member for St Ives (Andrew George), whose constituency covers the Isles of Scilly. I hope that he will vote in support of the motion, as he has said:

"The impact on Cornwall is likely to be very severe indeed."

He also said that the proposals

"will put a lot of families in extreme stress and ministers should think again."

Concern is rising among those on both sides of the House and across the country, from Cornwall in the south to Shetland in the north. We have to recognise that when we talk about these rushed and ill-considered changes, we are talking about changes that will affect our constituents, no matter what part of the country we represent. The changes will affect many of our constituents, those in and out of work, as well as many of our poorest pensioners. This debate should be informed by that state of mind, rather than by the lurid headlines that Ministers have worked so hard and so shamefully to create in recent days.

Mr David Ruffley (Bury St Edmunds) (Con): I agree with the following statement:

"Housing Benefit will be reformed to ensure that we do not subsidise people to live in the private sector on rents that other ordinary working families could not afford."

It came from this year's Labour manifesto. Does the right hon. Gentleman agree with it?

Mr Alexander: I do, which is why I wish those on the Government Benches would spend less time reading our manifesto and more time changing their proposals.

Let me deal with the substantive points. *[Interruption.]* Hon. Members should have just a little patience—one of the virtues that I wish the Secretary of State had learned in relation to these changes. Two arguments are being advanced in favour of the changes, the first being that the housing benefit bill is out of control and the second being that reform will lower the rent levels paid by the state for private sector accommodation available through housing benefit.

Let us start by examining the facts and the merits of those arguments. First, as the Building and Social Housing Foundation points out:

"Housing benefit has remained remarkably consistent at around 14% of the benefits bill for many years and most of the increase over the last 18 months has been down to an increase in the number of claimants, which is exactly what we would expect to happen in response to a recession."

Bob Russell (Colchester) (LD) *rose*—

Mr Alexander: I will give way in a moment or two. Next, it is stated that in the past five years housing benefit has risen by £5 billion and it has been suggested that the cuts are necessary to stop a soaring housing benefit bill. Housing benefit did rise by about 21% during the recession—that is undisputed—but that was driven by a case load that increased by 18%, including a 26% increase in respect of those of working age; it was not driven by a few rents.

The Secretary of State for Work and Pensions (Mr Iain Duncan Smith): Perhaps the right hon. Gentleman would like to explain how the figures show that the real-terms increase over the past five years was 50%, not 18%. That was fuelled hugely by the Labour Government's reform to local housing allowance. The figures show that today's rates of LHA are 10% higher than those that they inherited, and that is due to their change. Perhaps he would like to explain that.

Mr Alexander: I am happy to come on to deal with exactly those points, which echo some that we have heard.

Bob Russell *rose*—

Mr Alexander: I shall seek to let the hon. Gentleman in as soon as I can. Housing benefit bills—

Mr Duncan Smith: Explain it.

Mr Alexander: I am just about to explain it, if the right hon. Gentleman would just exercise a little patience. If he had done his homework, he would know that his Department's own statistics show that since 2000 more than half the increase in the housing benefit bill—54%—did not come from the few high claims. It came from poorer private tenants—those in low-paid work, and disabled or elderly people—claiming housing benefit. More than half the increase is coming from more people claiming, not from significantly increased rents. What Ministers seem to fail to understand is the number of households on local housing allowance who are in work. Over the past two years, there have been 250,000 new cases in work claiming LHA. During the recession, as wages and the hours that people were able to work fell, people turned to housing benefit and to LHA to stop themselves being made homeless. In recent years, during the recession, housing benefit has been vital in keeping people in their homes.

Mr Oliver Heald (North East Hertfordshire) (Con): Will the right hon. Gentleman give way?

Mr Alexander: I feel that I should give way first to the hon. Member for Colchester (Bob Russell).

Bob Russell: The right hon. Gentleman was a Minister in the last Government. He started his speech with a brief mention of "housing provision", but he has not said anything about it since. Will he inform the House how many council houses were built and how many were sold by the last Labour Government?

Mr Alexander: The hon. Gentleman made that point in the debate in Westminster Hall. I will not pretend that our priority was council housing as distinct from social housing, because for Governments over many years there has been a move away from direct provision by local councils to broader social housing, principally provided by housing associations. We will happily stand comparison between the number of social houses that we built during our time in office and the number being trumpeted by those on the Government Front Bench. Incidentally, almost half of the 150,000 in the figure that is now being used by the Conservatives are houses that were initiated by the Labour party when it was still in office. Notwithstanding the fact that I do not think that that was a point worthy of the hon. Gentleman's genuine concern, I hope that he will back up the words of the early-day motion with his actions this evening and join the Labour party in the Division Lobby.

Mr Heald: Does the right hon. Gentleman not agree, as all commentators have said, that since the introduction of the LHA the transparency of it has led to landlords putting up rent? Does he not think that there is a duty on Government in these difficult times to do something about it?

Mr Alexander: I have great respect for the hon. Gentleman, but there is a difference between having a duty to act—and we support the case for reform in housing benefit—[Hon. Members: "Ah!"] I know that that might be an uncomfortable truth for those on the Government Benches, but there is a difference between a duty to act and acting in such a precipitate and reckless fashion that it ultimately ends up costing the taxpayer more. I think the hon. Gentleman is just old enough to recollect that under the Conservatives in the '80s and '90s the impact of higher homelessness was a greater cost to the taxpayer; it did not lower bills for the taxpayer.

The core of the Government's policy is their belief that by cutting or capping housing benefit—this has been the substance of a couple of interventions—they

will reduce the level of rents in the private sector and thus reduce the deficit. In seeking to find a rationale for the scale and speed of the cuts, the Government seem to be getting themselves in some difficulty. *The Daily Telegraph* today sets out that LHA rents are rising faster than non-LHA rents in the private sector. The Government's regulations require that the LHA rates are set at the median of the private rental sector rent, excluding those let to housing benefit claimants, so rent officers collect data on non-housing benefit rents in each broad rental area market and use that data to set the local housing allowance.

In passing, incidentally, if the Secretary of State is so concerned about rent levels in the private sector, will he explain why he decided to scrap our proposals for a national register of landlords or indeed for the regulation of letting and management agents, designed to give more protection to tenants? The sound of silence is deafening. Why did he bin the recommendations of the Rugg review?

Mr Duncan Smith: Bureaucratic nonsense.

Mr Alexander: I do not think that protecting tenants from bad landlords is bureaucratic nonsense. If the Secretary of State did more than visit Easterhouse, he might share that point of view.

Not only does the Government's core belief that rents will fall risk failing to reflect how LHA works, at a much deeper level it risks ignoring what is happening in the housing market at the moment. Rents in the sector will probably rise, according to the National Landlords Association, which has published results of a poll showing that 50% of landlords would not reduce their rents at all and that nine out of 10 would not rent to housing benefit recipients—*[Interruption.]* From a sedentary position, the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), says, "They would say that, wouldn't they?" Would that be the claim that he would make against Shelter, the indisputably well-recognised housing charity? "Yes," I hear from Conservative Back-Benchers. Well, their interventions are perhaps more telling than they realise.

Christopher Pincher (Tamworth) (Con): The right hon. Gentleman is keen to use statistics. I wonder whether he is comfortable with the statistic that more than 50% of Labour supporters believe that housing benefit should be reformed. They support us. Is it not ironic that he is proposing such a motion today when his supporters support this Government?

Mr Alexander: First, I respectfully suggest that the hon. Gentleman reads the motion. Secondly, I suggest that he recognises that we introduced the LHA, which has already been the subject of an exchange across the Floor of the House. He might also want to go back and read the statement of the former Chancellor at the March Budget, when we suggested further measures for reform of housing benefit.

That is commonplace. There is a difference between the right reforms that will save the public money, and the wrong reforms that will potentially cost the public money and lead to higher homelessness, as we have seen so often in the past.

Matthew Hancock (West Suffolk) (Con): Will the right hon. Gentleman give way?

Mr Alexander: I am keen to make a little progress.

According to a study commissioned by Shelter from the Cambridge Centre for Housing and Planning Research—I wonder if the Government will dispute the integrity of that body—more than four in 10, or 42%, of landlords currently letting to LHA claimants planned to scale back. Shelter estimates that that will equate to 100,000 landlords. Liz Peace, the chief executive of the British Property Federation, said:

"Landlords might decide to abandon the social sector."

The Conservative Mayor of London—I wonder what the Government will say in relation to this evidence—says that the Government's proposals will lead to

"the loss of the private rented sector as a major safety net for London boroughs".

He continued:

"We expect landlords to leave the housing benefit market due to the perceived instability of housing benefit in the short and medium term."

Those are the words not of the Labour Front Bench, but of Boris Johnson.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): Has my right hon. Friend seen the *Daily Mail* today? Under the headline "Archbishop is wrong about...welfare...says Iain Duncan Smith", the opening paragraph states:

"Iain Duncan Smith has attacked the Archbishop of Canterbury's claims that housing benefit cuts will lead to a cycle of despair that will socially cleanse the poor from Britain's cities."

The article goes on to quote the Secretary of State as saying of the Opposition and special interest groups:

"'They have even tried to suggest that our real purpose is not just to cut the budget deficit but to remove poor people from the heart of our cities.'"

If that is not the purpose of the Government's intentions, surely that will be the net effect.

Mr Alexander: I can understand the embarrassment of those on the Government Front Bench, but whether it is the Deputy Prime Minister attacking the Institute for Fiscal Studies or the Secretary of State for Work and Pensions attacking the Archbishop of Canterbury, they diminish the case that they are trying to make.

Mr Duncan Smith: I would like an answer from the right hon. Gentleman now. He was asked an interesting question. Does he agree with Opposition Members, such as the hon. Member for East Kilbride, Strathaven and Lesmahagow (Mr McCann), who think that our measures will socially cleanse London? Will he please answer that question?

Mr Alexander: I have a clear view that if these proposals pass unamended, London will look very different in the years ahead. *[Interruption.]* I noted that the Secretary of State did not dispute the fact that he had attacked the Archbishop of Canterbury. Perhaps he will choose to do that next time.

Mr Duncan Smith *rose—*

Mr Alexander: I am happy to give way.

Mr Duncan Smith: I just want a straight answer. Does the right hon. Gentleman agree with his right hon. and hon. Friends, including the hon. Member for East Kilbride, Strathaven and Lesmahagow, who for the past two weeks have said that what we are doing will remove every social tenant from London and socially cleanse it? Is that correct?

Mr Alexander: I have said that I think London will look very different in the years ahead if the Government's proposals are passed. We can have a contest across the Floor of the House in which I ask the right hon. Gentleman how he feels about Boris, and he can ask me how I feel about some Labour Back Benchers. I know it is uncomfortable for the Secretary of State, but this is a debate about the Government's policies, not about my words.

Mr Dennis Skinner (Bolsover) (Lab): Will my right hon. Friend compare the current position to the days when Lady Porter decided to take measures in this part of London to shift people out of certain areas for political reasons? Is not the Government's current idea one that Lady Porter could only have dreamed of, because it is 10, 20, 30 times worse?

Mr Alexander: The cumulative impact of Lady Porter's measures was in the hundreds or the few thousands. The impact on people being removed from their homes if the current proposals pass unchecked will extend significantly beyond that.

Emily Thornberry (Islington South and Finsbury) (Lab): Has my right hon. Friend discovered which Conservative Minister described the measures as having such a high social impact in terms of moving people out of London that it would be greater than the highland clearances?

Mr Alexander: Alas, I cannot answer that question, but I hope the Secretary of State for Work and Pensions will do so.

Several hon. Members *rose*—

Mr Alexander: No, I have been generous and I will make a little progress, although I will be happy to take further interventions. Given that the subject has moved on to the highland clearances, let us move from London to Edinburgh and take the example of Edinburgh to prove that the issue is not exclusively a London one.

Simon Hughes (Bermondsey and Old Southwark) (LD): Will the right hon. Gentleman give way?

Mr Alexander: I will give way in a few moments, because I am interested to hear what the hon. Gentleman intends to do later this evening.

Let us take the example of Edinburgh. About 20% of all households live in the private rented sector, and about 18% of housing in the private rented sector is occupied by people who receive some housing benefit. If landlords no longer wish to have tenants on housing benefit because of the lower local housing allowance, they will have ample scope to find other tenants in that city.

Perhaps we should move on from Edinburgh to the east midlands. In the other place, the Bishop of Leicester said:

"The present belief that cutting housing benefit will depress the market and reduce private sector rents might just work if there were more houses to meet the demand. As it is, all the risk is being born by the vulnerable, not the comfortable."—[*Official Report, House of Lords*, 1 November 2010; Vol. 721, c. 1446.]

Simon Hughes: The right hon. Gentleman and his colleagues are perfectly right to raise this important issue, which is of concern across the House, but will he be his usual self and use careful language? There is no evidence to suggest that the implication of the policy is what his hon. Friend the Member for Rhondda (Chris Bryant) and his hon. Friend the Member for Bolsover (Mr Skinner) have suggested—or, indeed, what the Mayor of London has implied. Yes, there are issues, but the idea that people will be moved forcibly from where they are to somewhere else is neither necessarily the case nor evidentially the case.

Mr Alexander: I can assure the hon. Gentleman that I will be characteristically careful in my language. I hope that he will be characteristically careful in aligning his words with his actions. We will be watching carefully this evening to see whether this is another instance of the Liberals either being able to prove that they are willing to match their words with actions or, alas, not.

Mr Clive Betts (Sheffield South East) (Lab) *rose*—

Mr Andy Slaughter (Hammersmith) (Lab) *rose*—

Mr Alexander: I am going to make a little more progress.

There is a substantive question, and that is: on what evidential basis do the Government assert that rents will fall? In the debate involving the Bishop of Leicester last week in the other place, the Under-Secretary of State for Communities and Local Government, Baroness Hanham, in response to being challenged directly on the evidence that the Government could adduce for a fall in rents as a result of the changes, said that it was a "suggestion".

The Minister of State, Department for Work and Pensions (Steve Webb): I think that the shadow Secretary of State is a measured and reasonable man who will not want to be hysterical but will want to look at the facts. Since November 2008 private rents have fallen by 5% and local housing allowance rents have risen by 3%. LHA is pushing rents up. Does he accept that?

Mr Alexander: I have already covered the point that LHA is calculated in relation to rent in the private rented sector. The Minister generously characterises me as a reasonable fellow, but the fact is that this is the second time in as many days that a coalition Minister has accused the Government's critics of being hysterical. I think that it was the Secretary of State for Communities and Local Government who yesterday told London councils, when perfectly reasonable questions were being asked, to "grow up". I hope that when the Secretary of State for Work and Pensions speaks in this debate we will have a more measured and reasonable account of why the policies have been decided on and of whether the Government are willing to reflect on the points being raised, and in turn change their mind.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): Does my right hon. Friend recall the answer that the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb) gave less than one month ago, when he indicated that at the last count 48% of local housing allowance recipients received a sum less than the rent that they were due to pay? The idea that half of all local housing allowance recipients are forcing up rents, when they are not actually getting enough housing allowance to pay the rent, is an extraordinary proposition.

Mr Alexander: My right hon. Friend's expertise is well revealed in his question. I have been told to avoid hysteria and be careful and measured, but any of us who recollect the impact of the community charge, when a number of poor people started with a small but rapidly accumulating debt and ended up owing significant arrears to local authorities—which ultimately had to write off those debts—have reason to be very cautious before endorsing these proposals.

Matthew Hancock: Will the right hon. Gentleman give way?

Mr Alexander: No. I am keen to make a little progress, by looking at the individual measures that the Government are advancing.

When the Secretary of State speaks, will he explain why the Department for Work and Pensions is not producing an impact assessment on the whole package of changes to housing benefit before the House? An assessment has been made of the introduction of the LHA measures during 2011-12, as the Social Security Advisory Commission requires, but that is partial, and of course does not take account of the effect of the consumer prices index cap on LHA rates from 2013.

We would also expect a separate impact assessment of the jobseeker's allowance measure and social sector size limits to follow once the secondary legislation is published. At this stage, however, it is unclear whether an assessment will be made of the CPI changes. The fact that no comprehensive impact assessment has been completed before the announcement does nothing to reduce the widespread anxiety about this package of reforms. I therefore hope that the Secretary of State will now accept the concerns of his colleagues and undertake to publish an assessment of the whole package.

Mr David Lammy (Tottenham) (Lab): Will my right hon. Friend confirm that it is a statutory duty of the Secretary of State to undertake to give an impact assessment, on the basis that this greatly affects London's ethnic minorities—and if there is a disproportionate effect, to do something to alleviate it? It is extraordinary that that impact assessment has not yet been published.

Mr Alexander: That is an outstanding point made by a tireless fighter for the people of Tottenham. I know that my right hon. Friend has already taken the opportunity to raise this matter directly with the Secretary of State, who I hope will be able to find an opportunity to respond to it.

Mr Slaughter: My right hon. Friend is right to analyse and dismantle the individual points made, but there is also a cumulative effect. The cumulative effect on my borough after these changes are introduced, if they are, is that 6% of neighbourhoods—seven out of 111—will be affordable to people in receipt of housing benefit. Mine is by no means the worst affected borough in London: all the central London boroughs are affected. If that is not forcing people out of London and making it impossible for people on low incomes to live in London, I do not know what is.

Mr Alexander: My hon. Friend speaks with force and knowledge about the impact of these changes in his own constituency. I hope that when Government Front Benchers reflect on the range of points that have been made about the impact on our communities and constituencies across London, they will take the opportunity to think again.

Mr Rob Wilson (Reading East) (Con): It takes the entire income tax paid by seven average earners in my constituency, and by nine average earners in the right hon. Gentleman's constituency, to pay one family's housing benefit bill. Does he think that is fair?

Mr Alexander: I will come to the issue of the cap. The hon. Gentleman does a disservice to the importance and seriousness of this debate by simply reading out the questions the Whips have given him. In terms of the cumulative effect, which is what we were talking about, this package involves £1.8 billion-worth of cuts. The measure that he identifies accounts for £65 million of that £1.8 billion. One of the many attributes missing on the Government Benches is a sense of proportion.

Let us look at some of the individual measures. Labour Members do not have any objection in principle to asking younger single adults to live in a shared house or flat—after all, that is what has happened a great deal in the private sector. Yet it is revealing that the Chancellor, in his spending review statement to the House, described this as a chance to limit the ability to live on housing benefit as a lifestyle choice. So why have the Government not produced an impact assessment for these proposals? How can we be reassured that there will be sufficient supply to accommodate additional people and that the specific needs of young people in special circumstances, such as the disabled, will be addressed before this measure is introduced?

On the social sector, even the Government themselves seem to be struggling to understand some of the proposals. The June Budget promised to change housing entitlements for people of working age in the social sector. Can the Secretary of State explain what that means, and whether it will mean forcing people to move out of their council homes when their children turn 18? The Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate, who has already contributed to the debate, recently said in an answer to a written question:

"The detailed policy design of this change is still being developed."—[*Official Report*, 1 November 2010; Vol. 517, c. 565W.]

In that case, why are the Government so confident that it will save £490 million?

Let us move on to the issue of the CPI. The shadow Chancellor has made it clear that we would support changing the uprating of benefits for a time-limited period, but this is not what the Government propose in relation to housing benefit. Index-linking local housing allowance to the CPI, which does not in any way reflect

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housing costs, means that the LHA's value will drop substantially against rising rent levels, and households will increasingly find themselves priced out of all but the poorest-quality accommodation.

The impact is clear if we view the decade from 1997 to 2007 and then project forward. During those 10 years rents increased by 70%, while the CPI—the new inflation index that the Government have chosen—increased by only 20%. On that projection, by 2020 housing benefit based on CPI will have fallen so far behind private rents that it may cover only 10% of the available property. In Manchester it would cover only 5% of available two-bedroom flats, and in parts of Winchester, within 10 to 12 years not a single two-bedroom home would be affordable on housing benefit.

I ask Ministers in all seriousness whether it is coincidental that in evidence to the Select Committee on Work and Pensions last week, Lord Freud suggested that the coalition Government now saw it as

"quite valuable to rewrite the homelessness legislation"

Can the Secretary of State confirm whether that is indeed the case, and can he further assure the House that the Government are not simply seeking to rewrite the rules for those threatened by homelessness as they rewrote the rules for the unemployed in the 1980s and '90s, parking a generation of people in the unemployment figures?

Matthew Hancock: The right hon. Gentleman is being careful not to set out the Labour party's position on the cap. Does he agree with his leader, the right hon. Member for Doncaster North (Edward Miliband), or does he agree with the shadow Health Secretary, who said nine days ago:

"Those top level benefits do need to be capped"?

Mr Alexander: I will answer the hon. Gentleman's question directly. The former Chancellor of the Exchequer, my right hon. Friend the Member for Edinburgh South West (Mr Darling), introduced an option for dealing with extreme cases in the March budget—excluding a proportion of the highest rents from the calculation of the median. I am sure that given his past employment, the hon. Member for West Suffolk (Matthew Hancock) will be aware of that change. As I have previously stated, I have no objection in principle to a cap, if it is introduced on a staged timetable. I commend to him the speech that I gave at the Institute for Public Policy Research as recently as Friday. However, we have to ask whether a national cap is the most appropriate plan, or whether a regional cap would target the very highest claims in all regions.

Guy Opperman (Hexham) (Con) *rose—*

Mr Alexander: I am keen to make a little progress.

I rather fear and suspect that the focus on the cap in some interventions owes more to Andy Coulson than to the Secretary of State. As I have already made clear, despite the fact that it will yield £65 million, it is only one part of a package of more than £1.8 billion-worth of proposed housing benefit changes resulting from the cumulative impact of the June Budget and the spending review.

Perhaps the Secretary of State will be able to answer some specific questions. Why is it necessary to introduce a cap on rent levels from April next year, and the change in the maximum rate to the 30th percentile in October? Is there not a real risk that some households will be displaced twice within a short period, with all the costs and individual traumas that that would entail?

Let us look at the reality of the matter for a moment. Many households will be making their housing arrangements now without full knowledge of what the proposals will mean. They may be arranging for their children to go to a local school, to sign up for child care support or to buy a season ticket for travel to work. It must be right to give individuals enough notice and clarity about what the first tranche of measures will mean for them to be able to ascertain whether they will be able to avail themselves of the discretionary housing payments that the Government claim will be available.

What estimate has the Department made of the impact of the changes on homelessness? Does the Secretary of State accept the figures provided by London Councils, which expects that 82,000 households will be forced from their homes? What estimate has he made of the cost of the changes to local government? Shelter has said that the costs of introducing all the rushed changes will be as much as £120 million. Does he have an alternative figure that he would like to share with the House?

The Mayor of London's own director of housing has stated that the introduction of the cap in London alone will lead to a 48% rise in homelessness acceptances, which will mean £78 million being spent in London on temporary accommodation. Yet the Budget Red Book estimates savings of only £65 million a year. Given those figures, why would the Government introduce a policy that could end up costing the taxpayer more than it is intended to save?

I now move from the cap, about which people have been so keen to talk in the newspapers for so many days, to the change to the 30th percentile, which is perhaps more deserving of that level of publicity. Liz Phelps of Citizens Advice UK has remarked that the change

"will potentially affect people across the country. It will mean lower rates... It is very crude, short-term thinking. It will cut the DWP budget but it will explode the homelessness budget. We will see a lot more rent arrears, a lot more debt and acute poverty, and then more homelessness."

Mr Gordon Marsden (Blackpool South) (Lab): I wish to put on record that however important the change is in London and the south-east, it is not simply an issue for that area. Does my right hon. Friend agree that the Department's own figures, which show that some 5,500 local housing allowance recipients in Blackpool will lose up to £25 a month, are not acceptable in such areas, which have some of the highest rates of deprivation in the country?

Mr Alexander: My hon. Friend speaks with authority about not just Blackpool but a number of seaside towns where there are real communities that are suffering and afflicted by deprivation. That is why it is incumbent on the Secretary of State and the Minister, who is winding up this debate, to offer a clear and unequivocal answer to my hon. Friend. Why is it acceptable that people in Blackpool who are in work but low-paid, and who bear no responsibility for the global financial crisis, are now being asked to bear the burden?

Mr Betts: That is precisely the issue that affects cities such as Sheffield as well. The Deputy Prime Minister has objected to the word "cleansing" and other Members have objected to the word "clearance". In a disparate housing market such as Sheffield, the effect will be to disperse families from the affluent part, the Sheffield, Hallam constituency—the Deputy Prime Minister's constituency—to the rest of the city. That will lead to a more segregated city, and it is that sort of effect that the Government should address.

Mr Douglas Alexander: I shall resist the temptation of suggesting that the one person who should be dispatched from Sheffield is the Deputy Prime Minister. I acknowledge the fact that in communities such as Sheffield, and in cities across the whole of Britain, there is deep anxiety and concern about the impact of these changes. That is why the Local Government Group agreed that the move to the 30th percentile is

" likely to increase homelessness costs,"

since it will diminish

"the willingness of private rented sector landlords to let to housing benefit customers. This will have hugely variable and disproportionate effects on different parts of the country."

The Government's impact assessment of the 30th percentile change goes into great detail to demonstrate that at least 30% of the market is available in every area. However, is it not the case that the inevitable consequence of the LHA cap and the CPI cap is that, over time, the proportion of the available market will shrink below 30%?

Finally, let me come to one measure that has absolutely nothing to do with welfare reform and everything to do with a welfare cut. The Government propose that someone who is doing everything that we would ask of a person on benefits—applying for jobs, going to interviews, and even getting on the Secretary of State's famous bus from Merthyr Tydfil—will still lose 10% of their housing benefit if they cannot find a job within a year.

Let me unpick the statistics in two communities. Wolverhampton has six claimants for every job. If they were to be sanctioned tomorrow on housing benefit, 1,116 families would lose 10% of their benefit. To take Norfolk, a very different community from Wolverhampton, the figures say that there are 5,000 jobs, mainly casual, and 15,600 claimants—and that under these rules, 1,254 families would be sanctioned tomorrow. How can such an approach be fair when there are five claimants chasing every vacancy in the British labour market?

On Sunday, the Secretary of State's colleague, the Chief Secretary to the Treasury, stated:

"Sanctions in the welfare system only apply when people don't take advantage of the help and support that is on offer."

Such a statement is irreconcilable with the policy that the Treasury has now imposed on the Department for Work and Pensions. I have to say to the Secretary of State, for whom I feel great respect, that he is losing even old and dear friends as he tries to defend the measures that he has signed his Department up to. Indeed, when Bob Holman, the man who brought the right hon. Gentleman to Easterhouse in 2002, was asked why the Secretary of State had changed track, he said:

"It is hard to say. I think he has come very much under the influence of George Osborne, who is very much more aggressive, who is much more anti-working class and I think that Iain probably is looking at it—if I am to get my big reform through, the universal credit system, I've got to go along some way with the attitude of Osborne."

Indeed, how does the right hon. Gentleman want the unemployed to answer the question originally asked by Norman Tebbit? The truth is that homes are cheaper where there are fewer jobs. Should the jobless from Middlesbrough move to London where there may be jobs but fewer homes, or should the homeless from London move to Middlesbrough where there are homes but fewer jobs? I hope that the Secretary of State will take the opportunity to answer that question in the course of his remarks.

The right hon. Gentleman once styled himself as "the quiet man". I simply cannot believe why, given all the work he has done over recent years, he stayed silent in his conversations with the Chancellor when the latter told him that this was a progressive move to help people into work. It is the very opposite of a progressive move. The party that once said that unemployment was a price worth paying now wants to fine the unemployed if they cannot find a job. We were guaranteeing work for the long-term unemployed, but the Conservative party seems to be threatening them with homelessness.

Steve Webb: My eyes may deceive me, but I sense that the shadow Secretary of State is on the final page of his speech. He must have dropped a very long section in which he was to set out Labour's alternative. Perhaps he will do that now.

Mr Alexander: It might help the hon. Gentleman if he recognised that as he has chosen to align himself with the Conservative party in government, it is now his responsibility to answer the questions. I know that, as a former professor of social policy at the university of Bath, he is a man of great erudition and deep thinking. May I commend to him the speech I made on Friday in which I went through each of the measures and set out our thinking, as I have done on a range of them today?

We disagree fundamentally about the balance between the cuts that have to be borne by the poor and the vulnerable relative to the contribution that should be made by the banks. So we disagree about the deficit. We also disagree with measures such as the 10% cut in housing benefit relative to jobseeker's allowance—*[Interruption.]* What do we support? In the March Budget we made it clear that we wanted to take the top rental—forgive me, Mr Speaker. I should not get into a debate with someone who is sitting down. I shall address you, Mr Speaker. We have made it clear that we could support a phased approach to caps, and that we want to look into regional caps. We have made it clear that we are willing to consider the proposal—once we receive an impact assessment—on the deductions available for non-dependent individuals living in households that receive housing benefit. We have also made it clear that we regard the 10% cut in housing benefit for those who have been unemployed for a year as completely unacceptable—and in his previous persona, I fear, the Minister would have found them unacceptable as well.

I need to draw my remarks to a conclusion, as was kindly anticipated by the Minister. Let us be honest: this package of rushed, ill-considered and potentially devastating cuts has raised concerns beyond the debates in this Chamber in communities across the country. In the 1980s, the previous Conservative Government showed that higher homelessness, like longer dole queues, ends up costing the taxpayer more, not less. These ill-thought-through proposals have already led a number of MPs of

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conscience and concern, on both sides of the House, to register their disquiet. I do not claim a monopoly of concern about the proposals for any one party. Perhaps that is why the Government have run scared of putting an amendment to the House today endorsing explicitly each of the present proposals on housing benefit that they continue to advocate. Fortunately, however, there is still time for the Government to think again about these proposals. I urge Members on both sides of the House to take the opportunity this evening to reflect on these changes, and I commend the motion to the House.

4.22 pm

The Secretary of State for Work and Pensions (Mr Iain Duncan Smith): I rise to oppose for a number of reasons the motion moved by the Opposition. I will deal with it quickly, and then move on to the rest of the rationale behind the speech by the right hon. Member for Paisley and Renfrewshire South (Mr Alexander).

In the past two weeks—particularly, in the past two or three days—the right hon. Gentleman has started trying to reset the tone in the motion. None the less, the facts are exaggerated. For example, there is the ridiculous fact that we might have to spend an additional £120 million to provide temporary accommodation. That is ludicrous. There is no policy in this motion at all. Despite the major deficit that we have inherited, and despite the fact that housing benefit is running out of control, he did not say a thing about what he is planning to do. Opposition comes with responsibilities, and one of them is to have some policies before criticising, but the Labour party has none.

The right hon. Gentleman is basically a reasonable man, and I look forward to dealing with him—*[Interruption.]* That is very kind. Thank you. So we are all reasonable across the Dispatch Box. But what is not reasonable is what has gone on over the past two weeks. I am pleased that in the past few days he has suddenly entered the fray, because he was suspiciously silent when a lot of his colleagues were running up and down the place trying to frighten the public about the changes. In many senses that was quite disreputable. Two weeks ago, the hon. Member for Rhondda (Chris Bryant)—the right hon. Gentleman's hon. Friend—accused us of deliberately trying to "socially cleanse" London, and that is in *Hansard*. Furthermore, in the other place, one of the right hon. Gentleman's great friends, Baroness Hollis, talked of

> "Weeping children, desperate mothers, defeated fathers ...carnage". [*Official Report, House of Lords*, 4 November 2010; Vol. 721, c. 1743.]

This has gone too far. I should also say that, encouraged by a nod and a wink from his Front-Bench colleagues, one of their great supporters in one of the national papers—a columnist—talked about our "final solution" for the poor. What they have actually managed to do—

Mr Lammy: Will the right hon. Gentleman give way?

Mr Duncan Smith: I will give way in a minute, but not right now, because I want the Opposition to chew on this for a little. The way in which they have behaved over the past two weeks has been atrocious and outrageous. They knowingly used terminology used to describe events such as the holocaust, making shrill allegations of bitter intent that they knew would frighten rather than inform. I say "rather than inform", because until Saturday, when the right hon. Member for Paisley and Renfrewshire South gave his interview to *The Guardian*, the Opposition's manic rabble-rousing had failed to tell the public a rather interesting point: that had Labour Members been re-elected, they knew that they would have had to take strong measures. I will read a few quotations that should explain to his Back-Bench colleagues just exactly what Labour was planning to do.

The first quotation that I want to give them is from somebody whom I hope they will identify: their right hon. Friend the Leader of the Opposition. He said:

> "Housing Benefit will be reformed to ensure that we do not subsidise people to live in the private sector on rents that other ordinary working families could not afford."

In the run-up to the election, the then Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), said that Labour's LHA—he was describing his own party's reform—had discouraged employment and was unfair. He made it clear that the policy was set for a major change and that Labour was to blame.

Mr Lammy: Will the right hon. Gentleman give way?

Mr Duncan Smith: Before I do, I want to finish this one off. My predecessor, the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper), went even further before the previous election, hinting strongly at a much bigger change. She said that

> "it isn't fair for the taxpayer to fund a very small minority of people to live in expensive houses which hardworking families could never afford."

I wonder who was in power for those 10 years, but none the less. While acknowledging that Labour's flagship LHA reform was in an expensive mess, she went on:

> "We will publish further plans...to make the system fairer, and to make sure housing benefit encourages people into jobs."

Of course, as with everything else that Labour Front Benchers did before the last election, they cynically refused explicitly to tell their own Back Benchers or the public—the electorate—what they were actually planning. So now we learn that, according to the hon. Member for Rhondda, all those Back Benchers apparently stood on a secret manifesto to socially cleanse London. Knowing the hon. Gentleman as I do, I am sure that had Labour Members been in government and raised such matters, he would have been the first to jump to their defence, like he always was. The answer to that is: shame on them for scaring all those people in London.

Mr Douglas Alexander: Let me invite the right hon. Gentleman to get off his high horse for a moment. He seems to be claiming that there is a conspiracy on the part of the Labour Front-Bench team against the Labour Back Benchers not to tell them what was in the manifesto on which they were elected. If he has established that there is a consistent approach between me and my predecessors in my current role, would he like to share with the House his thinking about the comments that were offered by the Conservative Mayor of London about the proposals, Boris Johnson?

Mr Duncan Smith: I agree with Boris Johnson. What he said is that there will be no "Kosovo-style cleansing" of London. Quite right. He was responding to the scare

stories and the scaremongering of all those on the Opposition Benches, because that is exactly the phraseology that they were using.

Emily Thornberry: Will the right hon. Gentleman help us now? Which Front Bencher has been scaring my constituents by saying that the policy will be worse than the highland clearances? Which shameful Front Bencher has been telling the press that?

Mr Duncan Smith: I think that that is the case on the Opposition side. The reality is that they have been scaring the public, and they know it. I detect just a little dog whistle blowing from those on the Labour Benches, freezing and frightening everybody out there in the socially rented sector.

Toby Perkins (Chesterfield) (Lab) *rose—*

Mr Duncan Smith: I want to deal with some of the allegations. Opposition Members made the allegations, so let us get the record straight. The first was that London will somehow end up like Paris—socially cleansed so that people live only on the outer circle.

Mr Lammy: It is true.

Mr Duncan Smith: Oh, it is true? Okay. Let me remind the House about one simple point. The proposed changes to the local housing allowance concern the private rented sector. London has nearly 800,000 social homes—by the way, the Labour Government built far too few in their time—and the changes do not affect them. London has social housing embedded in its heart, and that will not change. So Labour Members must have known that they were scaring people with a complete pack of lies and nonsense. *[Interruption.]*

Mr Speaker: Order. I apologise to the Secretary of State. I accept that there are strong views on this matter, and that the atmosphere is highly charged, but there are many subscribers to this debate, and for the benefit of Back-Bench Members, the Chair would like to accommodate as many as possible. The more noise there is, the greater the delay, and the more difficult it will be to accommodate them. Perhaps we can calm down a little.

Mr Duncan Smith: I am grateful to you, Mr Speaker. In the calmer mood, I will give way to the hon. Member for Hampstead and Kilburn (Glenda Jackson).

Glenda Jackson (Hampstead and Kilburn) (Lab): Is it not also part of the right hon. Gentleman's housing policy to ensure that rents in the social housing sector will rise to 90% of the median, and that the Government are considering abolishing secure tenancies?

Mr Duncan Smith: The answer is no for existing tenants. Our policy will apply to new tenants and new build, so the hon. Lady should check her facts.

Let us not forget that the private rental market is dynamic. That is the point that the Opposition fail to mention.

Angie Bray (Ealing Central and Acton) (Con): Will my right hon. Friend give way?

Mr Duncan Smith: I will give way in a moment.

Around 40% of private rental tenancies are less than a year old, and 70% are less than three years old. What effectively happens in the marketplace is that there is a huge amount of movement. Another nonsense that Opposition Members have peddled over the past two weeks is that the sector is made up of a static group of people who have mostly lived in the same place all their lives and that we are about to uproot people who have a reasonable and rational reason to live where they are. In the past year, more than 100,000 people in the sector moved naturally. The idea that we will go in and raid all those homes is utter nonsense and scaremongering.

Mr Slaughter: The report referred to earlier says that independent research shows that 134,000 households will be evicted or forced to move when the cuts come in next year, and those are just the first set of cuts. It is the Government's policy to get rid of new social tenancies and to raise rents for new tenants to 80%. Over a period, the exact effect of that combination of measures will mean that no one on a low income can live in the inner city. Will the right hon. Gentleman have the courage to admit that that is his Government's policy?

Mr Duncan Smith: The impact assessment does not say that, and it is typical of the Opposition to take a figure for those who will be affected and assume automatically that they will be driven out of their homes. That is shameful.

Angie Bray: The scaremongering is a disgrace, and I am sure that many of us have had scared constituents coming to us having been worried unnecessarily by stories that they have heard from Labour Members. I have been looking online at some of the properties on offer in the private rented sector in Ealing and Central Acton. There are some remarkably good offers around that are well within the proposed caps—for example, a four-bedroom house with a garden at under £400 a week, and a flat for about £250 a week with access to a swimming pool. The situation is really not as dire as the Opposition are suggesting.

Mr Duncan Smith: My hon. Friend is right. We believe, and our calculations show that one third of all properties are available and will be ready for those who have to move. I say "have to move" because that assumes a static marketplace, and this marketplace is not static. I will return to that point in a second.

Mr Clive Betts (Sheffield South East) (Lab): Will the Secretary of State give way?

Mr Duncan Smith: I will give way in a moment.

I want to deal with another point that is being trumpeted by Labour Members, and some others who have risen to the worst extent of some of the figures. Families with children over 10 who must share a bedroom are classed as homeless and that led to the strange suggestion during an exchange in the Select Committee that tens of thousands of people will be homeless. That definition of homelessness is not one that I recognise. In fact, I looked at the report of that Select Committee and I note that my hon. Friend the Member for Bromsgrove (Sajid Javid) asked Roger Harding of Shelter whether

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he, my hon. Friend, having shared a bedroom as a child, had been homeless according to Shelter's definition. Shelter's response was yes, he had been. We are none of us served by this kind of nonsense. By all means let us have a rational debate about the reality of what we are trying to do.

Mr Douglas Alexander *rose—*

Mr Duncan Smith: I will give way to the right hon. Gentleman in a moment. I am quite happy to engage with him on this point, but, in answer to my original question, will he now disown all those who have been running around the houses telling everybody that there will be social cleansing and that all these people will be made homeless? Will he now say that that is not true, and will he apologise for what they were doing?

Mr Alexander: I do not think that the best interests of the country are served by the kind of exchange that the right hon. Gentleman is engaging in. I accept his offer of a rational conversation, however, and he has just raised the issue of the definition of homelessness. Only last week, his fellow Minister Lord Freud said that it was desirable that the legislation be changed in relation to the category of homelessness. Will the Secretary of State please clarify the Government's position on this? Is he supportive of changing homelessness legislation, or is he now going to cut his own Minister adrift?

Mr Duncan Smith: We have absolutely no plans to do that. Furthermore, if the right hon. Gentleman wants to engage in a sensible, constructive discussion on how we define homelessness, I am happy to do that. The point I am making about what has been going on is that Opposition Members should know better—he has an ex-housing Minister sitting next to him—and that they know full well that those definitions of "homeless" are simply not true. He should have disowned them early on, before we started this debate.

Simon Hughes: The Secretary of State is rightly trying to lower the temperature and to ensure that we deal in facts and not in hyperbole. Will he take this opportunity to deal with one other myth that has become common? Will he confirm that, if anyone in the private rented sector has to move because their property has become too expensive, it is not the Government's policy that they should move to a far-off community with which they have no links, and that the intention will always be that they should ideally stay in the community or council area where they come from and where they have lived?

Mr Duncan Smith: That is exactly what we want and what we intend. That is what we believe, for the most part, will actually happen—and in smaller numbers than people think. In some cases, there will be short moves even within boroughs.

I was asked about impact assessments, and we are going to publish them. We are bound to do so by the legislation. I am not trying to hide from that. We published an impact assessment after the Budget, and we are going to publish them when the legislation is due. I have already said that we will do that.

Sajid Javid (Bromsgrove) (Con): My right hon. Friend was right to point out that I was shocked to learn in the Select Committee that I had been homeless as a child. I believe, however, that the question is not so much one of the definition of homelessness as one of whether people living on housing benefit should be forced to make the same choices that other low-income working families are forced to make. Those low-income working families typically pay rent to the 30th percentile and their children are forced to share bedrooms, as they would be in any ordinary family. It should be no different for anyone on housing benefit.

Mr Duncan Smith: My hon. Friend's exchange was the most interesting one to come out of that Committee sitting, and he is right about this. I do not think that the previous Government intended these consequences; they simply failed to recognise that their change was going to fuel this growth. If they are honest with themselves, they would say that they know that. The ex-Chancellor actually said that he thought that this was out of control. These are the sort of choices that ordinary people have to make when they cut their budgets in accordance with what housing they can afford, and that is what we are trying to do here. It is not about punishing people; it is about trying to get the rents in the social area of private renting back into line with what people are paying who are working and earning marginal incomes and are therefore unable to make ends meet.

Mr Douglas Alexander: The right hon. Gentleman has just made a statement saying that this is not about punishing people. Can he reconcile that statement with his policy of cutting 10% of somebody's housing benefit, when that person has done everything right, turned up for interviews, filled in applications and sought to secure jobs but alas, in a job market where five claimants chase every vacancy, has been unable to secure a job after 12 months?

Mr Duncan Smith: The realities of what we are bringing in around that will make the change happen. [HON. MEMBERS: "What?"] Wait a minute—here is the real point. About 90% of all those who are unemployed are back into work within the year. That leaves us with a target of 10%. Remember that we are now bringing in the Work programme, which will work extensively with all the people in that category and return them to work. As I said to the right hon. Gentleman earlier, the changes we are making to the benefit system will make it much easier for those people to go back to work. My point is simply this: they will be achievable; they get rid of a disincentive to go to work, and we believe that they will actually work.

Several hon. Members *rose—*

Mr Duncan Smith: I give way to the hon. Member for Colchester (Bob Russell).

Bob Russell: Will my right hon. Friend clarify a point? Is he saying that rents are too high in the private sector? If that is the case—I am sure that is what he said—should there not be, in the interests of fairness, other measures to deal with landlords whose rents are too high?

Mr Duncan Smith: Let me deal with that question. My Department pays for 40% of all rental housing in Britain—we pay 40% of the total bills—and is the biggest purchaser. What we do therefore has a massive effect on the marketplace. This is the point that Labour Members missed out on when they were in government. Any change they made had a direct effect on the marketplace. My simple point to the right hon. Member for Paisley and Renfrewshire South is that the change in local housing allowance, as we can see from the graphs, fuelled an immediate increase—it was not just down to the recession, but down to two particular factors. In getting the calculations wrong about the median line and the capping, they ended up allowing LHA to rocket to provide landlords with excess amounts of money for providing housing that would have cost less. How do we know that? *[Interruption.]* I am going to answer this really important question.

We know that for two good reasons. First, if we compare those who remained on what was there before—it did not change for them because it was new people who came on to LHA—we find that the differential between where they are now and where the LHA rate is amounts to 10%. LHA growth is thus 10% above where we might have been had the change not been made. That is the first thing. *[Interruption.]* Hold on a second. That was one factor that fuelled the problem because it allowed landlords to push up to the 50% point, which is exactly what they did.

The second point is that there are many things we can do. We now know that, according to the Office for National Statistics, the private marketplace in housing—Labour Members are completely wrong about this—fell by around 5% last year. At the same time, LHA rates, which the previous Government had set and left to us, had risen by 3%. There is thus a 7% gap with what is going on in the marketplace. What we want to do, by working with councils, is to drive those rents back down. The purpose of these changes is to give a real impetus to getting the rents down to make affordable housing more available in some areas.

Andrea Leadsom (South Northamptonshire) (Con): I have an excellent researcher who earns £22,000 a year. Just before I came to attend this debate, he pointed out that he has to commute into London because he cannot afford a room in central London. He remarked that his best chance of getting a flat in central London was to resign from his job and make himself homeless.

Several hon. Members *rose—*

Mr Duncan Smith: May I answer my hon. Friend's point first before I give way? My hon. Friend's real point is that there is no fairness in this particular system when people who have to make decisions about their housing have to commute distances to get to work. That is the reality for them. The idea that people can live exactly where there is work is simply not the case. That is the choice that people have to make.

Several hon. Members *rose—*

Mr Duncan Smith: Many of the colleagues of the right hon. Member for Paisley and Renfrewshire South want me to give way to them. Does he really want to take their place? Okay—

Mr Douglas Alexander *rose—*

Madam Deputy Speaker (Dawn Primarolo): Order. Members should not be constantly standing on their feet. The Secretary of State is indicating to whom he intends to give way. I would be grateful if Members resumed their seats.

Mr Alexander: I would not wish the Secretary of State, however inadvertently, to leave the House with a misapprehension in relation to the impact of the 10% cut in housing benefit on those receiving jobseeker's allowance who find themselves unemployed after a year. If I heard him correctly, he came close to saying that people would not lose out because of other changes to the benefits system, such as the introduction of the Work programme. Will he therefore explain why, in the Red Book, it is scored as a saving of £110 million? Either people will lose money and be punished because they find themselves unemployed after 12 months, or they will be better off, in which case there should not be that saving score in the Red Book.

Mr Duncan Smith: We do not believe that they will reach that point. If the right hon. Gentleman looks at the figures—

Mr Alexander *rose—*

Mr Duncan Smith: I will come back to the right hon. Gentleman in a second. In the current static state, we will save money through the reforms that we have made.

Mr Marsden: The right hon. Gentleman is setting the cap and justifying the 10% cut for the long-term unemployed on the basis that people will be moved from welfare into work. Does he not realise that part of that process involves retraining and reskilling? If he does realise that, why has there been so little discussion between him and Ministers from the Department for Business, Innovation and Skills?

Mr Duncan Smith: I do not quite understand why the hon. Gentleman asks that question. I have been talking about the issue endlessly to Ministers from the Department for Business, Innovation and Skills. *[Interruption.]* The hon. Gentleman can take my word for it that I have spent a great deal of time talking to them, but if he would like to attend the next meeting, I should be more than happy to invite him.

Several hon. Members *rose—*

Mr Duncan Smith: I will give way, but I want to make some progress first.

The fact is that we have heard a lot of this nonsense. We have put aside a large amount of money—some £140 million, and we have been keeping the position under review—so that we can deal with the hardest cases when we believe that it is necessary for anyone to be affected or moved. The Department for Communities and Local Government is assisting us with that.

Among the Opposition's other charges was the charge that our changes were somehow not fair. The maximum rent following a cap—and the Opposition still have not said whether they agree with it—is £400, the weekly

[Mr Duncan Smith]

equivalent of more than £20,000 a year. Let me remind the House what someone who was out there earning would have to earn to pay that £20,000. That person would have to earn £80,000. The Government left us an LHA rate of £104,000 a year. Someone would have to earn £250,000 a year to pay that in rent. *[Interruption.]* I fully accept that we are dealing with the top end of the cases, who constitute by no means the largest number. The point is, however, that the previous Government were so slack with the system that they allowed abuses and excesses. Before the last election, even people on their own side were saying that they would have to change it. That is the reality.

Toby Perkins: Will the Secretary of State give way?

Mr Duncan Smith: I will, but then I must make some more progress.

Toby Perkins: I think that the Secretary of State is focusing excessively on the cap. My right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) has already made it clear that that is not the main focus of our objections to the Government's proposals. The Secretary of State dealt with myths earlier. Will he now deal with the myth that housing benefit recipients are out of work? Many of them are working, but they are low-paid. More than 350 of them in Chesterfield will be badly affected, when they are trying to work their way towards a better life. Why are they the people whom the Secretary of State is attacking with his policy?

Mr Duncan Smith: There are people in work who receive housing benefit, but the worst aspect of the changes with which the previous Government left us is that many of them are now trapped in short working hours. They dare not work for more hours, because they would lose too much of their housing benefit and would lose their homes as a consequence. Setting housing benefit at the levels at which the previous Government set it was no kindness to people who really do want to get on and work longer hours, because they are faced with the invidious choice of whether to move. That is one of the reasons more than 100,000 people moved in the rental market last year. Many people have to move to find a house that is suitable so that they can go and find better work. That is the reality. The hon. Gentleman's party left us with that situation, and it is his party that he should now blame for the mess and chaos.

Ms Karen Buck (Westminster North) (Lab): Will the Secretary of State give way?

Mr Duncan Smith: I must make a bit of progress. I will give way in a second.

Although that was not the largest number, the fact is that the top 5,000 of those cases of housing benefit cost the Exchequer £100 million a year. Unless Labour Members think that £100 million a year is not a lot of money, I should like to know why the shadow Secretary of State does not say that he agrees with the capping system that we want to introduce. Will he perhaps tell me whether he agrees with the capping system? No, he will not. Yet again we have heard no policy from the Opposition, but the fact is that we inherited a chaotic housing system.

Mr Alexander: I repeat what I said earlier: we want to avoid the arbitrary imposition of an immediate cap resulting in higher costs, not lower costs, for the taxpayer. We are prepared to look at a phased approach, but we also think that a regional cap should be considered. Is that clear enough for the right hon. Gentleman?

Mr Duncan Smith: The right hon. Gentleman knows that the vast majority of that £100 million comes from London. So what is he saying? Is he going to impose a cap on London?

Mr Alexander: Even the right hon. Gentleman and I would agree that London is contained within one of the regions of the United Kingdom.

Mr Duncan Smith: At last, we have an admission from the shadow Secretary of State that Labour is going to cap this. Now we only have to deal with the levels. It is unbelievable. If he wants to say that he is going to cap it, why was that not in the motion? There is not a word. Labour Members have spent the last two weeks scaring everybody out there and then not daring to tell people that they themselves want to cap. What a ridiculous lot of nonsense. The reality is that we inherited the mess that their Government left behind.

Ms Buck: On that point, will the right hon. Gentleman confirm that the Mayor of London's housing adviser has stated that, in London alone, the cost of temporary accommodation for homeless households, arising from the impact of the caps, could exceed the total savings by £13 million in one region alone? Will he also confirm that the figure for working households on local housing allowance is almost half the total case load, including those on JSA with the 90% annual turnover that he has just confirmed?

Mr Duncan Smith: The reality is that the adviser said that before he even knew how much we were using for the discretionary allowance. *[Interruption.]* Hold on a second. He said "could". The reality is that this is not going to happen. There should be no need, with the discretionary allowance, for people to be made homeless. That is just the nonsense with which Labour Members want to scare everybody.

Ms Buck *rose—*

Mr Duncan Smith: No, no; I am already answering the question. I do not agree and we do not agree with the statement that the adviser made. I have explained the issue to him personally, and he has accepted that.

Ms Buck *rose—*

Mr Duncan Smith: No, I am not going to give way. I also want to say to the hon. Lady that she includes in her figures those who are in work with those on jobseeker's allowance. She must not confuse two different positions, yet again trying to merge figures that are not right.

Several hon. Members *rose—*

Mr Duncan Smith: I am going to make progress. Labour Members continue to try to accelerate the figures to the worst level and then make ludicrous assumptions.

That is what is going on. The fact is that we inherited 5 million people on out-of-work benefits from the Labour Government—the hon. Lady was in the Government—which they did nothing about at all. Two million people of working age are claiming incapacity benefit, of whom 900,000 have been claiming it for an entire decade.

The figures that lie behind this issue are astonishing. Today we spend £1 in £3 on British welfare, which that Government left us, yet youth unemployment is higher, inequality is greater and there are 800,000 more working-age adults in poverty than in 1998-99. That is the great record of the last Government.

Andrew Griffiths (Burton) (Con) *rose—*

Mr Duncan Smith: The housing benefit reforms have to be seen in the context of that terrible bill that we were left. Housing benefit has rocketed from £14 billion in 2005-06 to nearly £22 billion in cash terms in 2010-11. By the way, I say to the right hon. Member for Don Valley (Caroline Flint), who I gather was on TV earlier saying that the benefit was basically in a steady state, that that is a real-terms 50% increase in the housing bill. That does not sound like a steady state to me or anybody else I know.

If left unreformed, the budget is projected to reach £24 billion in 2014-15. That is £1,500 per taxpayer per year. If Labour Members think that reasonable and fair—

Mr Alexander *rose—*

Mr Duncan Smith: No, I am not giving way right now because somebody else wants to intervene. If Labour Members think that that budget is fair, they should say to taxpayers, "We think it's fair to charge you, who are working hard, more, to give people housing that they could not afford if they were in work."

Andrew Griffiths: I thank the Secretary of State for giving way. He will know that one of the myths put about by the Opposition was that councils in London were already booking bed and breakfasts across the city to cope with the consequences of this policy. I draw the Secretary of State's attention to a website called FullFact.org, which has made some freedom of information requests to local authorities in London. I shall pick just a few. In Kensington and Chelsea, no such bookings have been made; in Wandsworth, no bookings have been made in bed and breakfasts; Lewisham council confirms that it has not made any bookings—

Madam Deputy Speaker: Order. That was supposed to be an intervention, not an opportunity to read statistics on to the record. I am sure the Secretary of State is perfectly capable of doing that himself.

Mr Duncan Smith: My hon. Friend the Member for Burton (Andrew Griffiths) is right. That was based on one comment by one person, who backed it up with no evidence. The point here is that, as we are discussing with councils, there is no need for them to worry about having to put people into homeless accommodation because once we get these numbers right, which we believe we are doing, the money we will be allowing will be sufficient to cover the costs, such as for rents and school year changes, of those who may have to move, of whom there will be far fewer than the Opposition claim. That is the real point, so my hon. Friend is right. What did Labour do with the figure in question? They just used it by ramping it up and saying, "This is terrible, all these people are going to be shipped out to Reading or somewhere on the south coast"—another scare story put about by Labour. It is absurd.

Mr Alexander *rose—*

Mr Duncan Smith: If the right hon. Gentleman wants to intervene yet again, he should take the opportunity to say something that he should have made clear in his speech: that he abhors all those who have frightened everybody over homelessness.

Mr Alexander: I am very happy to condemn people who frighten on the basis of figures, like those the right hon. Gentleman has just used to suggest the total housing benefit bill at the end of this Parliament, as that is premised on there being absolutely no change in this Parliament, despite the fact that in the first half of his speech he seemed to argue that we had had lots of reform proposals up our sleeve. Please may we have some logic and rationality? Either we were proposing to reform the system, in which case the figure will not be £24 billion, or we were not going to reform it, in which case it was. Which is it?

Mr Duncan Smith: There was nothing in the spending plans and Labour Members never had the courage to tell the general public what they were going to do. They fought an election on a false premise. *[Interruption.]* They pretended—*[Interruption.]* No, it was they who pretended. They fought an election on the false premise that somehow they were not going to have to make these changes and they were not going to be severe. Perhaps the right hon. Gentleman will now tell me by exactly how much they were planning to cut the housing budget; would he like me to give way so he can tell me that? He does not rise to his feet because he cannot argue that case; he is completely wrong. Labour says one thing to the public and something else in its private discussions.

I want to make one other important point. I recently appeared before the Select Committee and an Opposition Member put it to me that one reason the local housing allowance figures had risen so much was that there was not enough social housing. I agree, but who do we have to blame for that over the past 10 years? That is the point. *[Interruption.]* Yes, 13 years in total, but the situation was particularly bad during the last 10 of them.

We must remember that the previous Government left us with a house building record that is the lowest since the early 1920s. Affordable housing supply as a whole was down by more than a third under the last Government. On average, 21,800 social rented homes were built each year, even lower than the figure—which they used to argue was too low—achieved by the previous Conservative Government, which was 39,000 a year.

The reality is that Labour Members set a double whammy for themselves. They introduced an LHA which then rose because they did not build enough houses, and they allowed the whole private rented market to balloon, all because of their failure during their period in government. I hope they will apologise for that one day, but I suspect not.

Emily Thornberry *rose—*

Mr Betts *rose—*

Mr Raynsford *rose—*

Mr Duncan Smith: I will give way in a minute.

Nine tenths of the rise in housing benefit in the past 10 years is down to increased rents. To put that into context, if that increased spend in rents going to private landlords had instead been used to invest in social housing, we would have had 80,000 social homes being built per year. I therefore wonder who Labour Members think has squandered the money they had flowing into the Exchequer. Political short-termism was the reason for that.

Mr Raynsford *rose—*

Mr Duncan Smith: Okay, I will give way to the right hon. Gentleman as he was one of those responsible.

Mr Raynsford: Will the Secretary of State please now put the record straight and say that the increase in housing benefit attributable to rent increase covers both the social and the private sectors, and that the increase in housing association rents contributed to building the homes that were built? Will he now put the record straight and say it is completely wrong to imply that this is entirely going to private landlords when it is not?

Mr Duncan Smith: When the right hon. Gentleman is in a hole he should stop digging. The reality is that he was responsible for one of the lowest levels of building social housing. I do not know whether he is proud of that, but I would not be if I were sitting there with him.

We have to ensure that people who pay their way without recourse to benefits will no longer have to subsidise people who live in properties that the former could not afford. As I said, the maximum rate under the cap will be set at a level that is affordable and which some will consider generous. Based on what people spend on average on housing, the figure will be quite high; about £80,000 a year is what you would have to have.

Mr Betts *rose—*

Mr Duncan Smith: Forgive me, but I am going to make some progress, as I have given way a lot. I might give way again later.

Through the emergency Budget and spending review, we proposed a set of housing benefit reforms designed to bring back under control a system that has been out of control. I accept that the responsibility of Government is always to get the balance right as we protect, incentivise, and ensure fairness in the system. Critically, for housing, that means getting the rents down. Landlords have a responsibility, and I am prepared and determined to work with councils, with the Mayor of London and with any other mayor to help get those rents down. We are the biggest purchaser of rents and I believe we will have a real role to play there. As I have pointed out, private rents have, in any case, dropped in the past year—Opposition Members need to recognise that that involves an actual figure, not one that they can conjure up like the rest of their stuff.

Let me remind the House how distorted the private rental market is. As I said, between November 2008 and February 2010 private rents fell by 5% and local housing allowance rates rose by 3%. LHA has now run its unaffordable course and we must turn it around; it fuelled a landlords' charter to raise rents and has made housing more expensive for the whole population. It has not done any favours for those on low or marginal incomes; it has done them a great disservice. There are parts of central London where people can live only if they are on housing benefit or they are very wealthy. One could argue that Labour has socially cleared parts of London of working people who are trying to earn a living. That is the effect of what Labour has been doing. One would think that as the country grappled with the storm of the recession, these rents would come down, but they did not.

I agree with the right hon. Member for Paisley and Renfrewshire South that we must manage this transition, and I am happy to talk to him about how that works. We have sought to do that because local authorities still have a statutory duty to house people, and we will work with them as well; with my right hon. Friend the Secretary of State for Communities and Local Government, we are working with councils right now on the transition plan. Our figures show that 96% of claimants will face a shortfall of below £20 per week and the vast majority of those will see a shortfall of over that figure—I remind people that this relates to a steady state and does not even begin to recognise what happens when the rents start to fall. If they fall by any small percentage, that changes the picture dramatically.

Several hon. Members *rose—*

Mr Duncan Smith: I have said that I have given way enough, so I am going to complete this. For where problems do arise, we have tripled the discretionary housing payment to £140 million. We will keep that under review; I am prepared, where necessary, even to add to that. We will not shy away from the duty of care to provide housing for those who cannot house themselves. A safety net will not just remain; it will be improved for the most vulnerable. That will be done through an increase in discretionary housing payments and an additional bedroom for non-resident carers—the previous Government should have provided that, but never did. If we are prepared to pay, as we are, some £20,000, there is no reason anyone should be left without a home. Our choices are tough but right, and we are weeks from regulations to fix the broken system.

We are in touching distance of changing things, including through producing, later this week, a welfare Bill that will put all this into context and that could change the whole prospect for the next generation as we improve work incentives, secure fairness, and protect the vulnerable. We will introduce a comprehensive work programme, which will support people going back to work in a way that has never been done before; we will build a universal credit system to ensure work pays; and we will get welfare spending under control to regain economic credibility and stability.

May I remind the House of something that the Opposition did when they were in government? They made changes when they sorted out the pathway back in 2005. At that time, they made an assumption that

those who were renting could cope with an £18 increase in their rent, which they duly did. It is not as if it was we who were hammering people in difficulty; the Labour Government were already doing it and then they took their eye off the ball. That is why, over the last week, we have witnessed Labour's confusion. Some Labour Members, although not the right hon. Member for Paisley and Renfrewshire South, to be fair to him, but a number of his colleagues—he knows this, and I am looking him in the eye—started to blow very faintly and then louder on the dog whistle, just trying to scare people outside, winding things up until they became ludicrous and he finally had to try to draw the tone back down to a reasonable level. I believe that the right hon. Gentleman is a reasonable man and that what we need is constructive dialogue—I am ready for that. He should say to his colleagues that if they want to show what it is really like to be in opposition preparing for government, they need to put the dog whistle away, change what they are doing and behave as though they have a credible plan.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. I remind hon. Members that Mr Speaker has imposed an eight-minute time limit on all speeches. There are 36 or 37 Members who wish to participate this afternoon and the time limit starts now.

5.5 pm

Tony Lloyd (Manchester Central) (Lab): The Secretary of State began by making great play of the fact that there had been what he described as "scaremongering". However, many of my constituents are very scared about his Government's proposals. If they have taken the trouble to listen to his speech today, I regret to say that he will have done nothing to allay their concerns. Of those in receipt of housing benefit in my city of Manchester—70,000-plus—10,000 will be affected by the proposals. Some will be affected significantly, as I hope to make clear in a moment. That is the reality. People are scared because they see either a significant loss of income or the reality that they will be forced to move home. That is what the proposals will do.

I am delighted that the hon. Member for Bermondsey and Old Southwark (Simon Hughes) is in the Chamber. He was quoted in an election leaflet for his party in my constituency recently and it seemed to run almost totally counter to his question to the Secretary of State. I will be happy to give way to him on this point, but the words that were put into his mouth in that election leaflet were that it was "Labour lies" that people would be forced to move from their homes—Labour lies told in order to win an election. A few moments ago, he asked the Secretary of State to confirm that were people forced to move, they would be in a position to stay in the same neighbourhood. He clearly accepts that people will be forced to move under these proposals, and that, of course, is not a Labour lie but something that the Government are proposing.

Simon Hughes: For the avoidance of doubt, I am very clear that if people who are in the private sector have to move they should not be forced to move away from their communities, because community cohesion is very important, and that the proposal to knock 10% off people's benefit if they have been out of work for a year and have not been able to get a job is not something I support.

Tony Lloyd: That is very helpful, but I hope that if the hon. Gentleman speaks later he will apologise to my constituents, at least for the words that were put into his mouth in a Lib Dem election leaflet that went out during the by-election that was won very successfully by the Labour party last week in Manchester. It was quite clear that he was quoted as saying that people would not be forced to move, but it is now clear that both he and I accept that the Government's proposals will force people to give up their homes, and that is unacceptable and atrocious.

Simon Hughes: I do not think that we can anticipate exactly what will happen, which is why speculating and making people worried is unfair. We have to go on the figures that the Government have produced in their impact assessment and I hope that the local authorities and the Government, as I have said to the Secretary of State, will agree the figures. If we get common facts, we will reduce alarm considerably.

Tony Lloyd: I think that that was nearly the apology I sought, although it was not quite the apology that my constituents were entitled to hear from the hon. Gentleman, who supports this coalition. It was not quite the apology needed by those who will lose significant sums of money and will be forced to absorb that loss by not being able to spend their money on other things.

Steve Webb: I think the hon. Gentleman's own manifesto pledged this precise policy.

Tony Lloyd: I am talking about the Minister's policy. My right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) made it clear what a Labour Government would have done. That was clear also from the statements of the then Secretary of State, and it was very different from the current Government's proposals. The proposed income loss is not something that I recognise from any Labour manifesto.

The income loss will be significant for those in one, two or three-bedroom houses. In my constituency, for example, 8,000 people face an income loss of £12 to £14 a week. That sum may be trivial to a Minister or Secretary of State, but £12 to £14 is a significant part of the disposable income of somebody on housing benefit or on benefits more generally. The House ought not to countenance taking away that amount of money. It penalises the most vulnerable people in our society to prop up the Government's policies. That is not scaremongering; it is a disgrace. Ministers and their supporters should recognise that.

There is another aspect of the proposals that we should not countenance. The Secretary of State made a long and complicated speech, which gave no comfort whatever to those in my constituency who will lose money. It gave no comfort to those who will potentially lose their homes. It gave no comfort because the right hon. Gentleman is far more concerned with the polemic of his speech than with the reality of human beings who will lose out in respect of both housing and their finances.

[Tony Lloyd]

I hope that the right hon. Gentleman and others on the Government Benches will think again, particularly about some of the most difficult aspects of their proposals. There are parts of them which, with proper care and attention, we could all begin to agree with. The problem, at least in part, is the ridiculous speed of their implementation and the lack of acceptance of the impact that they will have. Were the Secretary of State to stand at the Dispatch Box and say that the Government are prepared to look again at the speed of their implementation, we might have a basis for real debate.

The worry among my constituents is that the proposals are driven, first, by concerns of budgetary restraint—the battle that the Secretary of State fought with the Chancellor and lost—and secondly, although this is a claim that I do not make against the Secretary of State, by the apparent desire among some of his Back Benchers to penalise the poorest and most vulnerable in our society. That rhetoric has come through in some of the debate.

Mr Aidan Burley (Cannock Chase) (Con) *rose—*

Tony Lloyd: The hon. Gentleman will forgive me, I have a limited amount of time and will lose some if I give way.

The speed of the changes raises real issues. Even if I believed that rents would adjust as the Secretary of State believes, they would not do so at the lightning speed required by his policies. People will not suddenly find their landlords voluntarily reducing their rents by £12, £13 or £14 a week. That will not happen for a number of reasons.

Andrew Bingham (High Peak) (Con): Will the hon. Gentleman give way?

Tony Lloyd: No, I am sorry.

The first of those reasons is that there is no evidence that rents adjust at that speed. The second and more important reason is that in a city such as Manchester—a complicated city which is quite different from the London housing market, with different types of housing tenure and different types of housing cheek by jowl—the housing benefit system is not the primary driver of rental levels. Those are driven by other factors. If that thesis is right, the Secretary of State's proposals are doomed not to succeed. If they do not succeed, rent levels will not adjust downwards and people will inevitably lose money. Even if rent levels were to adjust, they would not do that overnight. That is why, partly as a plea and partly as a demand on behalf of my constituents, I hope that the Secretary of State will think again about the speed with which the changes are implemented.

The Secretary of State's argument about jobseeker's allowance was rather confusing. He seemed to imply that no one would really lose 10% of JSA because nobody would find themselves in that position. Even in the relatively high employment times under the Labour Government, my constituency still had serious pockets of unemployment because it is one of those constituencies that are the repository of the longer-term unemployed. In those circumstances, it is fanciful to suggest that no one on JSA will be unemployed for more than 12 months and fanciful to say that nobody will be hit by that 10% penalty.

Ten per cent. of JSA is a huge amount of money for somebody in that situation to lose. I hope that the Secretary of State will look again at this issue, because, as my right hon. Friend the shadow Secretary of State has said on many occasions, those whom we regard as blameless—those who have conformed to everything that the Government and society have asked of them, sought work and gone out of their way to upskill and everything else—simply should not be penalised in the way that the Government propose. I hope that the Secretary of State, almost mirroring what he said—if he believes it—will say that if all the other changes that he proposes to benefits are to be effective, he will withdraw the 10% cut. To follow his direction of travel, it is an unnecessary 10% cut, and it simply should not exist.

People in my constituency who are in work, looking for work or disabled are going to lose out under the proposals. When Manchester city council considered the measures, it discovered that the people most likely to be hurt were single parents and those seeking work. They are simply not the people whom we should penalise. If Government Members' ambition is to penalise, they should support their Government and these proposals. If their real intention is to reform the system, they should say to their Secretary of State, "Please think again."

5.16 pm

Mr Oliver Heald (North East Hertfordshire) (Con): After the election the Government found themselves in a situation whereby it was necessary to curb costs in a number of areas, and housing benefit was one of them. However, it is important to do so fairly and to bear in mind the policy's overall effect. We cannot get away from the fact that housing benefit rents went up faster than the private rental market from 2000 right the way through to 2007. That is the evidence that was given to the Select Committee on Work and Pensions. In 2008, the system changed, the local housing allowance came in and the situation became worse.

The National Housing Federation, in its evidence to the Committee, said that

"private sector landlords increased rents with the introduction of Local Housing Allowances... the average housing benefit reward for Local Housing Allowance cases is over £9 per week more than for people still on the previous scheme... the Local Authority Omnibus Survey...finds that Housing Benefit managers say that some landlords are using the transparency of the arrangements to raise rents to the Local Housing Allowance level."

The British Property Federation said that

"rents in some areas have adjusted towards the local housing allowance rates and in markets where there are significant claimants this is seen as the 'going rate'."

Paddington citizens advice bureau in central London said that

"we understand the need to place a cap on rents paid by the tax payer, especially in central London where the LHA was spiralling out of control".

I shall not cite any more evidence, but I remember that during the Committee's previous inquiry into housing allowance earlier this year and before the general election, Blackpool, to which the hon. Member for Blackpool South (Mr Marsden) referred, was specifically mentioned, because the broad rental market area there included Fylde. As a result, all the rents in central Blackpool went up far faster and far higher than was expected, so

it is not surprising that the change under discussion, which I hope will rectify the situation, will have an impact in Blackpool.

Karen Bradley (Staffordshire Moorlands) (Con): In evidence to the Committee, the Royal Institution of Chartered Surveyors told us that the average returns for private landlords in the housing benefit market were 4 to 5%. Does my hon. Friend agree that that seems to be a significant return for any private landlord?

Mr Heald: My hon. Friend, who makes an important contribution to the Committee, makes an important point. If we look at the effect of the policy, we find no doubt that landlords will reduce rents, because all the evidence to the Committee suggests that they will.

There are arguments about how much effect the changes will have, but the British Property Federation and the Residential Landlords Association have said that 29% of landlords would reduce rents voluntarily. The Cambridge university research for Shelter shows that 29% of tenants will not be able to negotiate a rent reduction or make up the difference. It concludes that of the remaining 29%, 50% of the group will be in difficulties because landlords will not accept the lower rents paid and will not forbear. It says that some £42 million to £82 million a year will be needed to help those who do not get that forbearance from the landlord, are unable to negotiate a change, and so on.

Let us bear in mind, however, that the Government have set aside very substantial resources for exactly this problem. One might say that the mid-point is around £60 million, which is the figure that the Government are moving towards, although the Secretary of State said, very reasonably, that he will keep it under review and see what exact figure is needed. It is completely wrong to suggest that the Government have gone into this without realising that they must match hardship if it is found.

Mr McCann: If this is about a recalibration of rent, why are the Government using the poorest and most vulnerable in society as a battering ram to get there?

Mr Heald: To be fair, the hon. Gentleman should think occasionally about the hard-pressed taxpayer. Working people on the lowest incomes pay lower rents than housing benefit claimants. Surely the principle should be that we all want to help someone worse off than ourselves, but that the average taxpayer should not be expected to put a person into a better position than he himself would ever be able to afford.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Would not a better approach be to follow the regulatory reforms in the Republic of Ireland and 40 other countries, and in New York city, where rents are capped for benefit recipients and for normal working people? That would enable the Government to control their benefits bill as well as making rents affordable for normal working people.

Mr Heald: As somebody who believes in markets, I think that what really needs to happen is that we have enough social housing. As the Secretary of State said, it is woeful that the previous Government, who were supposed to want to help people in that situation, did so little over all those years. I am very hopeful that the proposals will improve matters.

Ms Buck: Will the hon. Gentleman give way?

Mr Heald: I am running short of time, I am afraid.

Let me turn to disincentives to work. The fact is that the Government's welfare programme is all about trying to get people back to work. It is a big ambition to do something about the 3 million households where nobody works, even though there are people of working age.

Graham Jones (Hyndburn) (Lab) *rose—*

Ms Buck *rose—*

Mr Heald: I have got only a few minutes left, and I have already given way three or four times.

It is a disincentive for someone to work if they know that they will never be able to earn enough to pay their rent. That is a ludicrous situation in which to have trapped people. We need to tackle that problem, and there is no other truly sensible way of doing so.

Ms Buck: Just before this myth takes hold too completely, will the hon. Gentleman at least concede that just under half the recipients of local housing allowance are either in work or on jobseeker's allowance? The Secretary of State confirmed that 90% of JSA claimants returned to work within a year. Constantly repeating the idea that housing benefit claimants are not in work is misleading the House, frankly.

Mr Heald: But the hon. Lady must accept that the Secretary of State has a grand ambition, which is to get people into work. One of the ways of doing that is the universal credit, which tackles the very problem that she is talking about. We should be supporting the Secretary of State, as a Parliament, for finally tackling some of these dreadful issues that have pulled our country back for so many years. The hon. Lady really must not go around telling people that 50% of such people are in work or on JSA, because 13% are in work, not 50%. Someone who enters work on low pay loses housing benefit very soon afterwards. Addressing that issue is one of the great improvements that universal credit will bring. I support the policy, and I believe that the independent evidence supports it.

5.24 pm

Mr William Bain (Glasgow North East) (Lab): It is a pleasure to follow the hon. Member for North East Hertfordshire (Mr Heald) and the other right hon. and hon. Members who have contributed so far.

The Secretary of State likened his welfare reform programme to that of William Beveridge in the 1940s. I welcome his ambition, but I suspect that Beveridge would have major criticisms of the unnecessary hardship that the Government's housing benefit proposals will cause. It is a matter of great regret that no member of Beveridge's party has yet risen to their feet to criticise these unjust proposals. Beveridge supported a contribution-based welfare state and the Government doing more to stimulate job creation. That would represent the foundations of genuine welfare reform, and I hope that the Government will reconsider their plans, which will unduly punish those who have the least. They cannot in any shape or form be described as progressive.

[Mr William Bain]

There are three key issues of concern to my constituents: the proposals to slash housing benefit payments by 10% for those who find themselves on jobseeker's allowance for 12 months or more; the restriction of local housing allowance payments to rent for properties in the lowest 30% of rental levels, rather than the median level; and the plans for a crude national cap on housing benefit payments.

The 10% cut hides the inconvenient truth for the Government that affected tenants will have to make up the difference from their jobseeker's allowance. A single, childless person will therefore experience a drop of almost 30% in their disposable income, as the Scottish Federation of Housing Associations established in its briefing. For the 970 people in Glasgow North East who have been out of work for more than 12 months, the measure could mean a loss of £25 a week in their incomes. Across the UK, the proposals are expected to save £110 million a year from 2013, but at what price to my constituents and to 4.7 million constituents of right hon. and hon. Members throughout the House, who face being pushed into higher levels of poverty?

The SFHA underlined in its briefing that approximately 700,000 people in the social and private rented sectors would be affected by the new rule, losing an average of £9 a week. Overall, 5,445 people in Glasgow who have been on JSA for 12 months or more will lose out—some 22% of all housing benefit recipients in the city. The loss for the 2,750 Glaswegians receiving the allowance for a one-bedroom flat will be £7 a week, for the 2,390 affected people in two-bedroom houses it will be £10 a week, for the 590 recipients in a three-bedroom house it will be £15 a week, and for the 50 families in four-bedroom houses it will be £22 a week.

The Glasgow Housing Association has said that between 11 and 16% of its tenants will be affected by the changes to the rules on presumed under-occupancy of properties. Unable to make ends meet, tenants will suffer higher expenses and the prospect of substantial debts. At worst, they will lag behind on their rent payments and perhaps ultimately face eviction. People will be pushed out of prosperous areas where they have the highest prospects of finding work, and there will be an increase in unemployment and social tensions in areas that are already marginalised and suffer multiple deprivation.

Under the stricter medical tests that the Government have introduced, people will be moved off employment and support allowance, incapacity benefit and severe disablement allowance and on to jobseeker's allowance. They will be at a greater disadvantage in the labour market, and will they not find it more difficult to find a job within 12 months? If healthy and fit people are unable to find work under the Government's policies, what chance have the most vulnerable ?

In the June Budget, the Chancellor assured the House that he was aiming to protect the most vulnerable in our society, but the Government's proposals will hurt the most vulnerable and those who are trying to find work, at a time when their fiscal policies will make that much more difficult with the loss of almost 1 million public sector and associated private sector jobs, as PricewaterhouseCoopers established recently. The truth is, as the Office for Budget Responsibility established in June, there is no guarantee that the economy will be in a state to secure the availability of sufficient jobs by 2013.

Singling out those who can least afford to lose money is neither fair nor progressive. The Government should consider investing in affordable housing rather than slashing the budget by half over the course of this Parliament. That would not only secure savings in the long term, but protect the vulnerable and incentivise work in the coming year.

I support welfare reform that ensures that taking a job will pay and that improves work and training opportunities for those whom previous initiatives have not reached. However, my hon. Friends and I cannot support plans that set out to punish the most vulnerable in our society, who make great efforts to seek work, and who deserve a Government who is on their side and not preparing to abandon them at their time of greatest need. These are the wrong proposals targeting the wrong people. I hope hon. Members across the House will reject them and support the Opposition's motion in the Division Lobby tonight.

5.31 pm

Jenny Willott (Cardiff Central) (LD): For many years, housing benefit has acted as a barrier for people who are trying to get back into work. I remember many debates in the last Parliament in which hon. Members raised concerns about people being trapped in poverty, out of work and frustrated. If, for example, a constituent got a job and lost their housing benefit, they would not be able to afford their rent. To be fair, the previous Government put much effort into ensuring that people would be better off in work than they were on benefits, but the housing benefit rules often scuppered such efforts. I hope that these proposals, which are part of the wider reform of the benefit system of which universal credit is a part, will help people get out of that benefit trap and into work. They should also benefit people who are working and paying tax. As many hon. Members have said, it is unfair when such people see the Government paying for a home for someone else that they could not possibly afford themselves, even though they are working.

There have been some positive changes, including the proposals for people with disabilities. Previously, a person who had a full-time carer could not claim for a room for them. In the previous Parliament, as the hon. Member for North East Hertfordshire (Mr Heald) said, the Work and Pensions Committee recommended a change to that unfair system. I am very glad that such a proposal is now being introduced, as it rights a wrong.

I warmly welcome the long-overdue decision to reform housing benefit. Although I have concerns about some of the Government's proposals, I have to say that much of the criticism of the plans has been extremely overblown. Much has been said in the media and in the debate today, and I am sure that more points will be raised later tonight. I will raise my concerns with the Minister, and I look forward to his response.

One problem with the local housing allowance that was identified in the previous Parliament concerns the broad rental market areas. Many BRMAs are very large and cover very different areas. Cambridge is often cited as an example. The BRMA covers the city itself, a large

rural area and some smaller towns, including Newmarket and Ely. Shelter's research found that in Cambridge itself, only 4% of rental properties were affordable to people on LHA, while in rural areas up to 70% were affordable. That has significant implications for people on local housing allowance who want to access work. They are pushed out of the city, which is where most of the jobs, particularly the low-paid jobs, are to be found. That is not a new problem. It arose as soon as LHA was introduced.

If the Government change the LHA calculation from the median rent to the 30th percentile—I am afraid that this sounds like jargon—BRMAs such as Cambridge or Blackpool, which already have a problem, could find things getting even worse. The Select Committee recommended an urgent review of the particularly problematic BRMAs, which I hope the Government will consider further in the light of the proposed changes.

I would also like some reassurance on the raising of the age limit for the shared room rate from 25 to 35. I understand the Government's argument that it is often unlikely that young people in work could afford to rent on their own, and they are more likely to rent a room in a shared property. However, when the Select Committee considered that point earlier in the year, we found that the shared room rate led to an increased threat of homelessness, particularly for vulnerable young people. It is unlikely that those who have recently been made homeless, or those who are suffering from a mental illness or recovering from an addiction, will be able to organise living in a shared household, but they constitute the group most likely to face a shortfall between rent and local housing allowance. Increasing the age limit to 35 could broaden that pool of people and increase the number of people facing a shortfall and homelessness—and because plugging that gap is often left to discretionary housing benefit, this has implications for the Government's plans in that area.

I welcome the significant increase that the Government have announced in the amount available for discretionary housing benefit over the next four years. That will be very important in determining how well the changes are made. However, discretionary housing benefit is usually used only for short-term payments—certainly, my constituency casework leads me to believe that that is how local authorities see it. Often, for example, it will be paid, following a change of circumstances, to tide people over until they can make longer-term arrangements. Some of the Government's proposals for changing housing benefit will have more long-term implications there, including the changes involving the shared room rate, and so on. Local authorities need more flexibility in their use of discretionary housing benefit over the long term in order to plug the gap and ensure that we do not end up targeting particularly vulnerable people.

The biggest issue for my colleagues and me, however, is one that has been mentioned by hon. Members already—the proposal to reduce housing benefit for those claiming jobseeker's allowance for more than a year. If we really are trying to help people off benefits and into work, this arbitrary limit makes no sense. It does not take into account the job market in a particular area or the effort that a claimant may have made to find a job, and it could have serious implications for child poverty, in particular. I hope that the Government can think through that proposal again. If we are applying the test that the reforms should support vulnerable people, help them into work and ensure they have a roof over their heads, while ensuring that work pays, reducing housing benefit for jobseekers after one year fails that test.

That is a shame, because most of the rest of the proposals are sensible. Overall, I welcome the reforms, and I am glad that at last the Government are doing something.

Clive Efford (Eltham) (Lab): Will the hon. Lady confirm that her website states that the benefit cuts will hit the poorest hardest? If so, would she like to put that on the record in the House?

Jenny Willott: I have to confess that I am not au fait with every page on my website. [Hon. Members: "Oh!"] Having returned a few weeks ago from maternity leave, I am afraid that my brain is suffering somewhat. However, that is for a debate on the comprehensive spending review in general. This debate is specifically about housing benefit, on which I have made my views very clear.

Overall, I welcome the reforms, and I am glad that at last the Government are sorting out housing benefit. It has been of significant concern to Members on both sides of the House for many years. Government Members all have the same aim, and I hope that the Government can take my comments in the constructive spirit in which they are intended. We would all like housing benefit to be set up in a way that helps people lift themselves out of poverty and progress through work, and does not act as a barrier to people trying to show ambition and better themselves. I hope that by tweaking the proposals we can do just that.

5.39 pm

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): Let me draw attention at the outset to my interests as declared in the register.

It is clear that the Government are pursuing a policy not of housing benefit reform but of housing benefit cuts—a policy based on assumptions that are wholly untested.

Bob Russell: Will the right hon. Gentleman give way?

Mr Raynsford: No, I have only just started. I will give way in due course, but the hon. Gentleman is perhaps being a little impatient. He might benefit from listening for a moment before interrupting.

The policy is based on assumptions, many of which are wholly untested, premises that are, frankly, incredible, and an absence of detailed impact assessments of how the eight different cuts will cumulatively affect the 4.75 million households that currently receive housing benefit. In my view, it is that absence of a detailed and thorough appraisal of the impact of the cuts that is the most serious indictment of the Government.

We have heard the Secretary of State's claim that the effect of the changes will be to reduce rent levels in the private rented sector. His noble Friend Lord Freud made a similar claim last week when, according to a report in *The Guardian*, he said:

> "We are expecting a large number of people who see less housing benefit to be able to negotiate their rents downwards, and the landlords will move to the new lower rate."

[Mr Raynsford]

As the Secretary of State and Lord Freud are clearly not totally familiar with the rented market, let me remind them and their colleagues on the Front Bench what is actually going on. Yesterday's *Evening Standard* reported:

"Widespread rental 'gazumping' has hit London for the first time as desperate tenants fight to secure homes. Rents have soared by up to 35 per cent this year, with as many as one in four landlords asking for sealed bids from applicants, according to one agent."

The director of a lettings agency is quoted as saying:

"The exceptional demand for rental properties which we saw earlier in the summer is showing no signs of slowing down. If anything, the rental market is now more red-hot than a month ago."

He said that

"one four-bedroom ex-council home was recently let in Camberwell for £500 a week – £150 above the asking price and more than 40 per cent higher than the previous rent."

A partner at Cluttons is quoted as saying:

"occupancy rates stand at an unprecedented 95 to 98 per cent, as tenants opt to stay put rather than move and risk being frozen out."

adding that

"the stampede for homes was at all levels of the market, from studio to family homes and is in all areas of London."

She said:

"We had a studio let at Cinnamon Wharf in Shad Thames that had been on at around £225 to £230 a week. I suggested putting it on at £305 and we got that within half a day."

The director of another agency said:

"The demand for rental property will heat up even further in the medium-term and gazumping will become even more common as tenants look for any way in which they can get ahead of the competition."

Bob Russell: I was going to ask the right hon. Gentleman what interest he was declaring, but my question to him now is this: is he not talking about supply and demand? If the issue is supply and demand, why did the previous Government, in which he played a leading role for 13 years, fail with the supply?

Mr Raynsford: Let me say to the hon. Gentleman what I have said in many previous debates. When we came into government in 1997 we inherited a very serious problem caused by the condition of the existing housing stock, as he knows. He also knows that a great deal of money was put into the decent homes programme to improve the condition of millions of social homes throughout the country. Because that was a priority, perhaps not enough was spent on building new homes, but if he looks at the figures, he will know that during the later years of the previous Government, until the recession hit, there was a rising trend of new house construction in all tenures, including social housing. Had that been sustained, we would now be seeing levels approaching those set out by Kate Barker in her report.

Obviously there has been a recession in the meantime. It has hit the world – it has hit this country and everywhere else – but given that situation, we want to see policies that will improve prospects rather than make things worse. The problem is that the present Government have managed to destabilise every part of the housing market. House builders are in shock because of the ill-considered planning changes. The private rented sector is in difficulty. Landlords are worried about the proposed changes to housing benefit. The social housing sector has been pulverised by the Government's proposal to remove security of tenure and to jack up rents to near market levels. That has created a serious problem of anxiety and lack of confidence in all sectors of the market. Not surprisingly, as the hon. Gentleman highlighted, there is therefore a problem with shortage of supply. That is precisely what is driving rent levels.

Mr Burley: Will the right hon. Gentleman give way?

Mr Raynsford: No. I have given way once, and I must make a little more progress.

All hon. Members should realise that the Government's hope that the changes will lead to a reduction in rents is delusional. It will not happen, and the consequence will be that many people who depend on access to private rented housing, and on a degree of housing benefit to support it—many of them are in low-paid work—will find it harder and harder to compete in an increasingly tough market. I am afraid that the Government are making things worse.

Simon Hughes: One factor over the past 13 years that affected supply was the number of right-to-buy applications exercised by tenants. Does the right hon. Gentleman support a discretion for local councils to decide whether to allow the right to buy? That has become the policy throughout Wales.

Mr Raynsford: The hon. Gentleman is going wide of the subject. The right to buy now has a relatively minor influence on the supply of housing, because most people in social rented housing are on incomes that make it impossible for them to buy. I would not change the current rules. I think it is right to have an option for people to buy, but in the current market there will not be many who take that up. I want the focus to be on securing a good supply of rented accommodation through social and private providers at rents that people can afford, supported by a proper benefit system.

We know that a substantial number of local housing allowance recipients are in properties where the rent is higher than the LHA. I have quoted the answer given by the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), earlier this month that 48% of LHA recipients had to meet a shortfall because their rent was higher than the LHA. It is absurd for the Government to argue that the LHA is driving increases in rent, when the evidence that I quoted from the *Evening Standard* shows that it is the private market and the huge demand in the private market that is driving the increase. A very high proportion of LHA recipients will find it increasingly hard to compete, because their LHA is already below the rent that they are paying.

Steve Webb: Will the right hon. Gentleman give way?

Mr Raynsford: No. I will not give way because I have very little time left. The Minister should remember that private tenants who are dependent on housing benefit may find that they are priced out of the market as a result of the Government's policies. I am surprised that he and his party are prepared to countenance that.

The hard questions that Ministers must answer—they have not done so—is simply: where will the tens, and perhaps hundreds, of thousands of LHA recipients go when their allowance is cut to a level that makes it impossible for them to make up the shortfall, and their landlord declines to reduce the rent?

Steve Webb: The right hon. Gentleman cited a £500 rent on a four-bedroom property—he quoted that from a newspaper—which is above our cap. Is it his policy that taxpayers should pay someone £500 for a four-bedroom property?

Mr Raynsford: No, it is not, and the point has already been made that that is not a housing benefit letting; it is a market letting being driven by the market. The Minister finds that difficult to understand because of his extraordinary prejudice that the local housing allowance is somehow driving the increase. I would have thought that he understood that, because he has some grasp of economics. He should also understand the cumulative effect of a series of such changes: not just the cap, not just the local housing allowance, but the change in non-dependant deductions, the restriction of the entitlement of social housing tenants of working age who are deemed to occupy larger accommodation than they need, the extension of the shared room rate to single applicants aged 35—the hon. Member for Cardiff Central (Jenny Willott) raised that anxiety—the change to the uprating formula using the consumer prices index rather than the retail prices index, the 10% cut in benefits for those on jobseeker's allowance for more than a year, and the overall cap on benefit entitlement. Cumulatively, those changes will have a devastating effect. Why has the Minister, with his distinguished background in social policy, not insisted on proper appraisals of the cumulative impact, and the impact over a period, of all the changes, which will have dire consequences for many people on very low incomes?

This is not evidence-based policy making; it is faith-based policy making, using assumptions that most of the commentators in the outside world who have a real understanding of these things believe to be seriously flawed. I put it to the Minister that unless the Government can give us evidence that their policy will reduce rents in the private sector—for which there is not a shred of convincing evidence—and that the cumulative impact of the changes will not have dire consequences for many vulnerable people, the only decent thing for them to do is to withdraw their package and say that they will look again at the measures and discuss with the Opposition agreed arrangements to deal with abuses of the system without causing vulnerable people to suffer. If they do that, they will have our support. If they do not, I hope that all hon. Members with open minds will vote for the motion tonight.

5.51 pm

James Wharton (Stockton South) (Con): I disagree with much of what the right hon. Member for Greenwich and Woolwich (Mr Raynsford) said, but he made one key observation that many Opposition Members would do well to heed. He referred to the legacy that the previous Labour Government inherited from the Conservatives, and many Labour Members forget the context in which so many of the decisions that the new Government are now taking must be understood—namely, the terrible financial situation that we inherited from Labour. I do not intend to dwell for too long on the national debt that is approaching £1 trillion, the deficit of £150 billion, or on the fact that we are paying more than £40 billion a year in interest, which is £120 million a day. That is more than we are paying for either our police or our universities.

Mr Russell Brown (Dumfries and Galloway) (Lab): Does the hon. Gentleman acknowledge that, when the Labour Government came to power in 1997, we had to pay more to service the debt based on borrowing to pay for tax rebates than the cost of defence and transport put together?

James Wharton: The hon. Gentleman is right to voice his concern about any level of Government debt, and I entirely understand the historic context in which the new Labour Government found themselves, and the one in which we find ourselves today. It is important, however, that we do not spend all our time looking back. We must look forward and consider what the Government are doing to address the challenges that we face, and specifically address the issue of housing benefit, which is just one piece of that much larger jigsaw.

Housing benefit today costs about £21 billion a year, and we have heard about the trend of housing benefit costs in recent years. Between 2000 and 2007, it increased by about 25%, and, in the past five years, it increased by about 50%. The shadow Secretary of State mentioned the difficult times during the worst of the recession when it was increasing at its greatest rate. That was true, and we cannot take those times as typical and project them forward, but we can identify a clear long-term trend of housing benefit costs increasing unsustainably and putting a burden on the Exchequer that cannot be maintained in this day and age. The Government therefore have to make some tough choices.

A word that we frequently hear on both sides of the House, in different contexts, is "fairness". We are asked what it means to be fair. Opposition Members appear to dwell on outputs, rather than giving consideration, as is correct when considering any matter of fairness, to what people put in—that is, to inputs and outcomes. It is important to look at the proposed changes to housing benefit in the context of the national financial situation, and of the need for real fairness that takes proper account of what the Government can do to help people out of poverty and into work, and to take away the benefit traps that hold people back in poverty and on housing benefit. As my hon. Friend the Member for North East Hertfordshire (Mr Heald) said, housing benefit is one of the very worst benefits when it comes to encouraging people and helping to make work pay, because of the very steep rate at which it is withdrawn.

Ms Buck: The hon. Gentleman mentioned the impact of housing benefit during the recession. Does he accept that 250,000 households claimed housing benefit during the period between 2008 and 2010 because their earnings dropped? Does that not show that housing benefit has a critical role to play in sustaining people, both in work and in their homes, during difficult times?

James Wharton: The hon. Lady is quite right. That is why nobody on either side of the House would ever propose to do away with it. It is an important part of the welfare state in this country, but that does not mean that spending on housing benefit should be allowed to

[James Wharton]

escalate out of control indefinitely. That is why the Government are introducing measures to bring it under control and to ensure that people are properly incentivised to find work, to earn and to contribute successfully to our economy. The hon. Lady is right to say that housing benefit is important, however; that is why it is being reformed in a way that will secure its sustainable future.

Mr Chuka Umunna (Streatham) (Lab): Will the hon. Gentleman give way?

James Wharton: I will not give way again.

In the context of the understanding of fairness, let us look at what the Government are doing. We have heard talk about the cap, and it is abundantly obvious that it is not fair for a family or an individual to be able to claim more in housing benefit than an average family takes home in earnings in any given week, month or year. If we set the cap at £20,000 a year, that will still be a very high level. That is the equivalent of earning just over £26,000 a year, as that is what someone would need to earn to have the income to pay that amount of rent without claiming housing benefit support. That is more than the average wage of my constituents, and more than the average wage in the north-east generally. It is also more than the average wage in many of the constituencies of Members on both sides of the House. We cannot expect people who work hard but do not earn large sums of money to pay tax to subsidise individuals and families who are unable to work, for whatever reason, to live in homes that those taxpayers themselves could not afford.

This is an important issue, but there are many other measures involved. The shadow Secretary of State asked whether it was fair to use the 30th percentile to set the level at which housing benefit would be paid in any given area. The Department's research has shown that, in any given area, just over 30% of properties would be available within that price band, and I suggest that that makes it abundantly obvious that this is not an unreasonable step. Given the difficult financial situation in which we find ourselves, this is a way of finding some of the necessary savings while ensuring that those who need help will still get it. It will ensure that support will be there for those who will benefit from it most, while not unfairly disadvantaging the people who work hard to pay their taxes to enable this to happen. It is important to look at these points in the round, and in the context of the world in which we live today.

Many Opposition Members are not keen to talk about discretionary housing payments because, for many of those who hit particular hardship, such payments will increase. This will help individuals who are in danger of losing their homes, who fall through the gaps between policies or who find themselves in difficulty through no fault of their own. The Government are increasing the provision to £140 million over five years to ensure that, when people are in particular need or when their circumstances are particularly difficult, help is there to ensure that they can stay in their homes and communities. People should not be made homeless by the steps that are being taken, and the Government are taking steps to ensure that that does not happen.

Another measure that Opposition Members often overlook relates to overnight carers. At the moment, the fact that someone has an overnight carer, because they have a disability or for any other reason, is not accounted for when calculating the amount of housing benefit they receive. The Government will change that, and 15,000 people who currently have overnight carers but are not entitled to have the need to provide accommodation for them taken into account in their housing benefit allowance will be better off as a direct result. Their needs will specifically be catered for in a way that, disgracefully, has not been the case for many years.

Lots of changes are taking place in housing benefit, as well as right across the Department for Work and Pensions and other Departments. Opposition Members are right to raise concerns, when they have them, and to call for a debate when that is appropriate. When I look at the motion today, however, I find it most striking that they have suggested no alternatives. This is not an Opposition who are here to put forward alternative proposals or an alternative plan to deal with some of the problems we face. It is an Opposition who are opposing for opposition's sake.

Matthew Hancock: I compliment my hon. Friend on his extremely fluent speech. In talking about the tone of this debate, does he agree that it is important not to make scaremongering comments that make people ill at ease when the changes being made are very important to get a grip on this particular budget?

James Wharton: As ever, my hon. Friend makes an excellent point. The point has been raised a few times already—that the tone of this debate in public and in the media has not necessarily been as it should. When we are talking about people's homes, people's allowances and changes that will affect people's lives, it is incumbent on all of us to ensure that we do so in a careful, measured and sensible way.

Gavin Williamson (South Staffordshire) (Con): I am not sure whether my hon. Friend's experience has been the same as mine, but many people I talk to in my constituency think that the proposals being put forward are sensible, logical and should have been made an awful long time ago.

James Wharton: I thank my hon. Friend for another excellent intervention. He is, of course, right about how right-thinking people look at some of these measures—I single out the cap of £20,000 on the maximum amount of housing benefit that can be claimed. As I said at the beginning of my speech, this is equivalent to earning more than £26,000 a year. These are reasonable steps taken to deal with a very real problem. If Opposition Members wish to continue to oppose what the Government are doing I urge them to come up with proposals and solutions of their own, so that we can have a properly informed debate—rather than mudslinging, calling names and worrying all the people who rely on Members from all parties to represent them and do the right thing.

6.1 pm

Miss Anne Begg (Aberdeen South) (Lab): I am grateful for the opportunity to contribute to the debate. I am keen to make sure that we do not get bogged down in a

debate about what is happening to the caps in London, which has been the tenor of the debate in much of the media and, indeed, here today. I understand why my hon. Friends representing London constituencies feel angry and annoyed about the impact of the changes on their constituents, but I would like to look further afield at the impact across the country.

The difficulty with the emphasis on the caps that might apply only in London is that we need to acknowledge that the real cap is the 30 percentile that will apply in each of the broad rental area markets. It is not right to look at four-bedroom houses that can be had for less than £400 a week in an individual constituency and then say, as did the hon. Member for Ealing Central and Acton (Angie Bray), "Well, that's fine; you can get that if you are on housing benefit". That is simply not the case.

We already know, as alluded to by my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford), that even at the present 50 percentile level many of our constituents still have to supplement their housing benefit to pay the rent. We know that people, even today, before any of these changes come into place, have to spend perhaps £10 or £20 out of their benefit to pay their rent. We know that because on a Select Committee visit, we encountered an elderly gentleman at a citizen's advice bureau who had found it very difficult to get a house or a one-bedroom flat within the money afforded under the BRMA—broad rental market areas—level at 50 percentile. He already had to spend £10 a week out of his pension credit to supplement his rent.

Another point worth noting is that the people who receive housing benefit are not all of working age, so the Government's purpose of incentivising work does not apply to them. What incentive does an old-age pensioner have if they stand to lose perhaps a considerable portion of their rent, and what incentive is there for such a pensioner to have to move home in order to find an affordable rent?

I hope that we can start to concentrate on some of the people who are not in the percentages quoted—the people who can move and can find somewhere affordable. For every 50% of the people who can move, there are 50% who cannot move; for every 50% who can easily find affordable rented accommodation, there are 50% who cannot. As my right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) said, only £65 million of the savings on the housing benefit budget will come from the cap, which will apply predominantly in London, whereas the full savings amount to £1.8 billion.

I would like us to consider what is happening in Aberdeen—not a typical place and probably an exception, but it might help to highlight some important issues. Only 6% of housing benefit claimants—910—in Aberdeen are in the private rented sector. Of them, only 370 of them—about a third—are likely to be worse off. Moreover, only 9% in the private rented sector actually claim housing benefit. If we accept what the Government are saying, this 9% should find it easy to find a house within the 30 percentile—obviously, because only 9% of them are trying to find it. That appears to be a no-brainer, but that is not the case. The reason is that they are competing with people who are already on low pay but perhaps do not have housing benefit and are trying to find somewhere else to live.

We also know that there is a housing shortage in Aberdeen, as there is in many other places, so many landlords will not rent for housing benefit. That might not be true elsewhere, but it is true in an area where we have a buoyant housing market. If only 6% of housing benefit claimants are in the private rented sector, it cannot be true that it is housing benefit rates that are pushing up the rents in Aberdeen. We know that rents are going up. It cannot be true that landlords will therefore reduce their rent because we know that there are plenty of other people who will be willing to take these houses if the housing benefit person cannot afford them. There will be areas in which the market will not operate effectively, as my 'hon. Friend'—I call him that, because he is on the Select Committee with me—the hon. Member for North East Hertfordshire (Mr Heald) said, but although it may be true in some areas, it will definitely not be true in other areas that already have a buoyant market.

Lastly, even if we accept the Government's argument that landlords will reduce the rent, there will inevitably be a time-lag for all that to happen. I do not think that people will move all that often in Aberdeen. Constituents have come to see me because they cannot afford the deposit on their new house or they cannot afford their first month's rental or they cannot afford the bond that they are expected to find—I believe that applies just in Scotland. The cost of moving is difficult for people to meet. Landlords, however, will not reduce the rent initially; they will need to be persuaded in some way that they cannot get that rental anywhere else. In the meantime, individuals will have had to move at great cost and it might be difficult for them to find somewhere until the market adjusts. Even accepting the argument that the market will adjust, we are still looking at a six-month period in which people will be either forced to move or build up a huge amount of arrears. It is going to be difficult for this group of people to negotiate lower rents.

I have tried to show that there are issues beyond what is happening in London. Different areas can have different problems. There is no single solution that will have the same effect across the whole country. I hope that the Government will listen to that argument.

6.9 pm

Amber Rudd (Hastings and Rye) (Con): Fairness is a constantly recurring theme today, and fairness has been the dominant feature of this reforming Government's coalition agenda. I agree with my hon. Friend the Member for Stockton South (James Wharton) that we must also be fair to the people who pay the taxes that pay for the housing benefit and local housing allowance.

I know what I am talking about, because my constituents earn extremely low wages. In the past 10 years the average wage in Hastings, which used to be £30 below the average United Kingdom rent, has fallen to £100 below that figure. I know about low wages. The hon. Member for Glasgow North East (Mr Bain) spoke of people who were vulnerable. People on low wages are also vulnerable, and I feel strongly that they should not be charged with paying the housing benefit of people who live in houses and in areas where those on low wages could not begin to live themselves.

Caroline Flint (Don Valley) (Lab): Does the hon. Lady agree with councillors in Hastings who have expressed concern about the additional pressures that the Government's policies will impose on their local community, including additional costs for education and children's services?

Amber Rudd: I am grateful to the right hon. Lady for making that point, because it is exactly the one with which I am about to deal. Earlier in the debate, we heard about sensational articles in newspapers and unrealistic reporting. I am afraid that Hastings has been on the receiving end of quite a lot of that. I have spoken to the councillors who made those comments and to our director of housing, Andrew Palmer, who has done excellent work. I asked him how many London councils had made inquiries of him, and he said none. I asked him whether he had had an opportunity to speak to the people who run the bed-and-breakfast establishments that he very rarely uses—although he has had to do so occasionally—and to the landlords whom he uses for the purposes of the local housing allowance. He said that he had spoken to all of them, and that not one of them had received such an inquiry.

I strongly believe that we have been reading sensationalist reports in the newspapers. There is an apocalyptic vision of a group of Londoners arriving on the south coast, but it simply is not happening. I think it important to repeat that so that people do not become fearful. They do not have to believe what is said by the right hon. Member for Don Valley (Caroline Flint) about extra pressure on education establishments, because that is not happening at the moment.

We hope that rents will fall. Members will not be surprised to hear that I agree with much that has been said by Conservative Members about reducing rents. The right hon. Member for Greenwich and Woolwich (Mr Raynsford) spoke of the unrealistic aspect of falling house rents, and referred to an article in the *Evening Standard* that focused mainly on larger houses. In my constituency at least, between 80% and 90% of people who receive local housing allowance live in homes with one to two bedrooms. The larger house element does not feature so much, although it represents a large cost. I am told by Westminster council, whose representatives I have consulted, that house prices in its area are falling rather than rising.

Mr Raynsford: When the hon. Lady reads the record of the debate, she will see that among the quotations that I gave from the article in the *Evening Standard* was one from an agent who said that properties of all sizes were affected, from the largest to the smallest, and that all areas of London were affected.

Amber Rudd: I am interested to hear that London is affected. We will see the consequences, but at present I am receiving different answers and people are reaching different conclusions. It is not entirely clear how the private sector will respond, but one thing is entirely clear: we cannot continue with the cost as it is now.

Mr Heald: When the London councils gave evidence to the Select Committee, they said that 40% of landlords would cut their rents.

Amber Rudd: The 40% figure is totemic in this debate. As we know, 40% of private rented properties are used by the Department for Work and Pensions.

Chris Ruane (Vale of Clwyd) (Lab): Like me, the hon. Lady represents a seaside town. If Kosovo-style clear-outs do take place in the inner cities—*[Interruption.]* It was Boris Johnson who used that phrase. If that does happen, it is logical to assume that people will go where there is cheap available accommodation: houses in multiple occupation in seaside towns such as the hon. Lady's and mine.

Amber Rudd: The hon. Gentleman obviously does not want to let the facts interfere with a good story. Some of the newspapers have taken the same view. However, he too should try to look at the facts. He should establish whether London councils are making such inquiries, and whether B-and-Bs are being booked up. There is absolutely no evidence of that. Rents are expected to fall, which will make things less costly for us all.

Ms Buck: My local authority, Westminster council, has written to me and to Ministers in the Department for Work and Pensions and the Department for Communities and Local Government, asking for changes in the homelessness legislation because of the potential impact of the cuts, and stating that it will expect substantial out-of-borough bookings for temporary accommodation if the proposals go ahead unamended.

Amber Rudd: That is an interesting comment, but I can tell the hon. Lady that I have spoken to the cabinet member in charge of Westminster council—which has the largest supply of houses at the top level above the cap—and she told me unequivocally that the council was not doing that.

Ms Buck: I have a letter.

Amber Rudd: I also have a letter. Perhaps we can exchange letters later, and see what the conclusion is.

It is impossible not to see these reforms of housing benefit outside the context of the overall attempt to carry out the reforms of the welfare system to which the Government are so committed. I commend to all Members a fascinating article in today's *The Times* by a former Labour Secretary of State for Work and Pensions, in which he draws strong parallels between our efforts to reform the welfare system and the proposals on which he had been working for the past few years, until the last two years or so, when he was unable to obtain any traction and had to resign. He spoke of the line that Government must tread between the poverty trap and the welfare trap. That is exactly what this Government are trying to do, but let me add that there is not just a welfare trap or a poverty trap. The welfare trap is a poverty trap in its own right. It is not a good place in which to be, but our efforts to reduce housing benefit and introduce a universal credit will start to change the present position and make a fairer society for us all.

Several hon. Members *rose*—

Mr Deputy Speaker (Mr Lindsay Hoyle): Before I call the next speaker, I must inform the House that I am going to reduce the speaking time to seven minutes, because so many Members wish to contribute and I want to ensure that all of them can do so.

6.17 pm

Bridget Phillipson (Houghton and Sunderland South) (Lab): Let me begin by referring the House to my declaration in the Register of Members' Financial Interests.

I am grateful to you, Mr Deputy Speaker, for calling me to speak in this important debate, and I am pleased to follow the hon. Member for Hastings and Rye (Amber Rudd), although I beg to differ with her interesting interpretation of the word "fairness".

The Government's £1.8 billion cuts in housing benefit will push the most vulnerable families in our society into poverty and debt. It has been estimated that up to 12,000 households in the north-east could be made homeless. The Government are using extreme examples to justify their wholesale swingeing cuts, but the simple truth is that most housing benefit recipients are low-income, hard-working families, pensioners, carers, and people with disabilities. The housing charity Shelter estimates that only one in eight housing benefit recipients is unemployed. We should not lose sight of the fact that housing benefit is also an in-work benefit. In fact, the average housing benefit award to private sector tenants in Sunderland is just £93 per week, and for social tenants it is even less: £69 per week.

What concerns me most is that the cuts in housing benefit will affect not only hard-working, low-income families, but pensioners. In Sunderland alone, more than 20,000 housing benefit recipients are over 60. Those people have contributed to society throughout their lives, but in return—when they need help from the state at the time when they are at their most vulnerable—their security is threatened, and they are treated as mere statistics.

Steve Webb: I am sure that the hon. Lady does not wish to alarm pensioners in her constituency. The figures that she has given relate to housing benefit, which applies overwhelmingly to social tenants who will not be affected by this change. Will she correct the record?

Bridget Phillipson: What I will say is that many older tenants will move into different tenancies at different points, and will be affected by the changes that the Government are introducing. Many older people will, at times, vacate social homes and move into the private sector as their needs require, and may be affected by the Government's changes. The only alarm being caused is coming from the Government Benches. I hope that the Minister will think again about some of these measures.

The Chartered Institute of Housing summed things up best when it stated that the Government's motive

"appears to be reducing expenditure with little co-ordination or regard for the purpose of the benefit itself."

This is not a genuine attempt to reform housing benefit and introduce a better system in its place; this is a Treasury-driven hit on the poorest and most vulnerable in our society.

Kwasi Kwarteng (Spelthorne) (Con): I am grateful to the hon. Lady for giving way. The House is unclear about Labour's position on the cap. Labour Members have accepted that there is a need for public spending restraint, but Government Members want to know whether they think the cap is fair or not.

Bridget Phillipson: I respectfully suggest to the hon. Gentleman that had he been here earlier, he would have heard some of the arguments articulated by my right hon. Friend the shadow Secretary of State. I also respectfully suggest that I am not referring to the cap. That is not the issue that I am discussing in relation to Sunderland; I am discussing the changes in respect of the 10% and the 30th percentile. That is my concern, and that is why this debate has to be on issues broader than London. I understand the concerns of my hon. Friends with London constituencies about the impact there, but the impact it will have in Sunderland will be different.

On average, claimants of local housing allowance in the north-east will see a cut of about 10% a week, or £468 a year, in what they receive. That will have a massive effect in the region, and in Sunderland it will affect more than 4,500 households. Furthermore, those out of work on jobseeker's allowance for more than one year will be hit particularly hard, with a cut of 10% in their housing benefit. Currently, 2,500 of my constituents are claiming jobseeker's allowance in an area of ongoing deprivation, where jobs are increasingly hard to come by. That will simply drive people into further poverty and drive up homelessness at a time when, no matter how hard people try, it is often difficult to find a job.

Sunderland city council prevented homelessness for 157 households in 2009-10, helping people to find accommodation, often in the private sector. Overall, the changes made in the comprehensive spending review will make it even harder for Sunderland city council to prevent homelessness. In the long term, the use of temporary bed-and-breakfast accommodation will inevitably drive up housing costs for local councils and have massive social consequences.

Changes in the calculation of housing benefit—pegging it to the consumer prices index—will lead to a dramatic rise in rent arrears, contributing to increased use of temporary accommodation and increased homelessness. It is not yet clear to me whether those who fall into arrears because of the cuts will be deemed to have made themselves intentionally homeless, which would mean that councils would not have a duty to house them. I would be grateful for some clarity from the Government on that issue.

Before I was elected, I managed a refuge for women and children fleeing domestic violence, and the city council supported these homeless families and got them rehoused, often in the private sector. The women would often pay a small top-up to their housing benefit, often to be near supportive family who could help with child care so that they could undertake training or return to the workplace. Such women will be doubly hit, and at the point when they are trying to get their lives back on track.

It is clear that the Government have failed to come up with an acceptable plan for housing benefit. They fail to recognise the long-term solutions to the underlying causes, and they are certainly not progressive.

Jim Shannon (Strangford) (DUP): Does the hon. Lady agree that for a great many people the purpose of housing benefit is to get them out of low-income housing? The changes that the coalition Government are proposing will keep those people in poverty and low-income housing for the rest of their lives. That is my concern. Does the hon. Lady share it?

Bridget Phillipson: I do. It is clear that the changes will have a huge impact not only in England, but in the hon. Gentleman's constituency.

While more social homes need to be built, the coalition is cutting investment and scrapping regional housing targets. When people are crying out for help on unemployment, the coalition Government are set to cut 23,000 public sector jobs in the north-east alone. Until we tackle unemployment and until the Government bring forward a credible growth strategy, the housing benefit bill will not come down. In the north-east, the situation has not been helped by the scrapping of One North East and the lack of a regional industrial strategy.

Finally, when we need a system to stop unscrupulous private sector landlords from profiteering from the local housing allowance, the coalition Government do not even consider it. Instead, they focus their programme of cuts on the defenceless, the elderly and the least well off in our society. That cannot be allowed to happen. Labour Members all agree that there is a need to reform the current system of housing benefit—but not at such a cost, and not with the plan that the Government are implementing with such ill regard for the consequences.

I oppose these rushed, punitive and divisive measures. I will do what it takes to protect the low paid and the most vulnerable people across the country, who rely on housing benefit, and I encourage colleagues on both sides of the House to do so too.

6.25 pm

Bob Russell (Colchester) (LD): The debate so far has made only fleeting reference to child poverty. The previous Government left 3.9 million children living below the official poverty line, so we need to think long and hard about whether this Government's measures are going to make that figure worse.

According to Shelter, the average loss per family in my constituency will be about £9 a week. For a low-income family, that £9 now has to compete; if the rent is not paid, and a family lose their home, they are, in law, deemed to be intentionally homeless. Whatever faults there are in this country, one thing is for sure: the children of this country are not responsible. They must not be allowed to lose their homes. For that family in my constituency, having to find another £9 a week for rent means £9 a week less on food, clothing, shoes and utility bills. We know that fuel poverty has an adverse impact on low-income families. Others have mentioned pensioners and their points have been well made, but I am going to concentrate on the families.

The loss of £9 from such a family's disposable income will mean that the local economy will lose out. That could affect what else is going on. Incidentally, I have come up with a novel saving for middle-England households. It is not compulsory to buy the *Daily Mail* or *The Mail on Sunday*, and not buying them will produce a saving of about £500 a year to a middle-England household. I recommend it.

The Local Government Association has kindly provided the following suggestion:

"a full and robust new burdens assessment should be made of the extra local authority costs that will be incurred as a result of these changes. This should not just include the expected homelessness costs, but also community safety, physical and mental health, social care, child protection and other services.

The wider impact of these costs should not be underestimated and will result in increased costs for councils."

The LGA has suggested that local authorities should have more flexible powers, so that they can work with local landlords to negotiate rents downwards. That would fit in with the Secretary of State's view that the object of the exercise is not to penalise families, but to force rents down. In a spirit of collaboration, coalition and fairness, I think that the Government should take equal measures—put a cap on the rent as well as on the housing benefit.

The problem is that we have had 30 years of successive Government failures to provide sufficient housing for rent. The last Government were as guilty as the previous Conservative Government, building fewer than 7,000 council houses in 13 years; even the dastardly Thatcher Government managed to build more than half a million. Indeed, the last Labour Government sold half a million council dwellings. I intervened earlier on the question of supply and demand because of the simple fact that for 30 years supply has not matched demand.

Mr Betts: I welcome the hon. Gentleman's commitment to increasing the number of social houses built, but does he accept that under the comprehensive spending review the expenditure plans for new social homes have been cut in half? The only such homes that will be built on the current tenures and rents will be those to which the previous Government committed? All new homes built after that will cost 80% of market rents, and that building will be paid for by increasing the rents on re-let tenancies to that level as well, so this Government are committing to no new social housing at all.

Bob Russell: I was praying for an Opposition intervention because it gives me an opportunity to pick up and wave these pages containing the more than 50 questions on council housing that I have put in the last decade, including to former Prime Minister Blair, his successor and former Deputy Prime Minister Prescott, all of whom failed the Labour party. We should contrast what the last Labour Government did with what the real Labour Government of 1945 led by Clement Attlee did in the aftermath of the war.

Chris Ruane: I concur entirely with the hon. Gentleman. In my constituency I visited a lady who had an 18-month-old child and who lived in a house of multiple occupation. She had one bedroom. That cost £85 a week in housing benefit, topped up with £20 a week from her own dole money. That is £105 a week for a one-bedroom rat hole, whereas the council charges £60 for a three-bedroom council house with both a front and back garden. It makes both economic and moral sense to spend money on building new council houses and social housing, and that would also penalise the Rachman landlords and reward the local authorities and social landlords.

Bob Russell: I agree with most of that; and, of course, if the last Labour Government had taken note of what I said in those 50-plus parliamentary questions—if two successive Prime Ministers and a Deputy Prime Minister had listened—we would not be in the pickle we are in now. I might add that all of us know of former council houses in our constituencies that were sold and are now being let out at higher rents than those for the council house next door, and where the housing benefit tops that up. The coalition Government should address that.

"When social historians write the history of the 20th century, they will contrast the huge advances made in the living standards

of the British people between 1900 and 1999. Even allowing for two bloody world wars and the years of economic depression, by the end of the century the quality of life had improved dramatically for the mass of the population, beyond the wildest dreams of those doughty pioneers of social change who sowed the seeds in Victorian Britain for better health, higher standards of education, longer life expectancy, improved working conditions, wider opportunities and vastly superior housing conditions for most people.

While the improvements in the overall quality of life spanned the 100 years, for millions of people it was in the middle 50 years or so of the 20th century—the second and third quarters—when the great advances were made in housing. Council housing did it." —[*Official Report*, 11 June 2003; Vol. 406, c. 237WH.]

I know that Members are fascinated by what I have just said, and they can read the 2003 speech I made in Westminster Hall on the subject of council houses. Again, had the Labour Government listened and taken note seven years ago, things would have been much better.

For most people, the aspiration to home ownership cannot now be fulfilled. The resumption of council house building would have the twin outcome of supplying good quality houses for families to rent and lessening demand in the house buying market. There would be another bonus too: it would give a boost to employment in the building industry.

The conclusion of my speech is aimed at my coalition partners. When I was leader of Colchester borough council between 1987 and 1991, I attended a meeting of the Essex branch of the Association of District Councils at which I told the then Member for South Colchester and Maldon, now Lord Wakeham, that a combination of the large-scale sale of council houses and a failure to build replacement houses would result in thousands of people being forced into the property owning market who would not otherwise have been, and that the demand for lower priced houses would therefore be greater than the availability, and that that would lead to an increase in house prices throughout the housing market. I suggested that that policy did not make economic sense, and that it was not fair on those who would be deprived of a decent home in which to live. I have been proved right, but, tragically, the problem is considerably worse than I ever thought it would be.

For the homeless and those in accommodation that is less than ideal for their needs, there is no such thing as the dream of being part of the property owning democracy. Instead, there is the 24-hour nightmare of housing despair. That is particularly the case for the children involved. Big cities, towns and villages all have residents who are suffering because of the lack of council houses. In rural areas, young people are being forced to leave the villages in which they were born, and where their families may have lived for generations, because there is no housing for them, or none that they can afford.

I urge the coalition Government to think again. They are right to tackle the higher rents, but that has to be done with fairness. At the moment, however, their proposals are being aimed only at the tenants, and I am particularly concerned about the children of the families who will be affected.

6.35 pm

Mr Clive Betts (Sheffield South East) (Lab): From what the hon. Member for Colchester (Bob Russell) has said, I take it that he will be voting with us in favour of this motion, because it seems that that is where his heart lies, if nothing else.

The issue as presented by the Government is that we have a problem with housing benefit. Two explanations have been given for that. One is that local housing allowance levels are pushing up rents, and my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford) dealt with that very well. The other is that housing rents and housing benefit levels are rising because there is a shortage of houses in this country. The hon. Member for Colchester said that that was the case, and I have a lot of sympathy with his point about the need for more social housing.

Let us look at Government policies on housing provision to deal with this fundamental problem. The hon. Gentleman mentioned social housing provision, but he ought to understand that this Government's policy is to withdraw from social housing provision, and that is what they are doing. Under the comprehensive spending review, the budget for new social housing is being cut in half, and the half that is left will simply fund the houses to which the previous Government were committed, which is about half of the 150,000 target. Where will the other 75,000 come from? The answer is that there is an assumption that social housing landlords will raise the rents on new lettings to 80% of market rents and that that increase in rental income will then fund the building of these extra 75,000 so-called social houses. They will not be social houses, however; they will be houses at 80% of market rents—or at intermediate rents, if we prefer that term. Effectively, therefore, the Government are withdrawing from the provision of social housing.

I know some Liberal Democrat Members will not agree that that is what the Government are doing—indeed, the Lib Dem Communities and Local Government Minister, the hon. Member for Hazel Grove (Andrew Stunell), said exactly the opposite in a recent Westminster Hall debate—but that is the policy. If it is not what they intend to do, the Minister who is currently in the Chamber should stand up and say so.

As the Government claim that their key policy is to reduce housing benefit costs, they must also explain how the two bits of their agenda join up. If getting housing benefit costs down is the right thing to do, will there not be an increase in housing benefit costs from these new 80% market rents they are going to introduce, and how much will they increase by? I have asked that question, but no one can answer it. Do the Government not know or have they not done the figures? Is this another consequence of the impact assessment that they have not done? The Minister has done a lot of jumping up and down in the Chamber today, but he is surprisingly silent and sedentary at present.

That is another major question to which we need an answer. Why are the Government intent on pushing up rents in the social housing sector? What will be the housing benefit costs of that, and is the fact that there will be such costs not an inherent and fundamental contradiction in the Government's policy?

Mr Heald: I do not think the hon. Gentleman understands the scope of the ambition of this Government. They want to get people back to work. They do not want there to be 3 million homes where nobody works and everybody is on housing benefit. They want to change that, and that is how the costs of welfare will come down.

Mr Betts: I thank the hon. Gentleman for that helpful intervention. I am not sure how putting 1.6 million people in the dole queue is part of a grand strategy to get people back to work. At some point, somebody will add those bits of the grand strategy up and explain how they connect together.

On the lack of joined-up thinking, we have been taking evidence in the Select Committee on Communities and Local Government about the impact of the Government's policy of abolishing the regional spatial strategies. Some people have told us that that is a good thing to do, others have been more critical of the inherent aim of Government policy, and some have said that eventually we will get policies in the localism Bill that explain the Government's long-term strategy. However, almost every witness has said that in the meantime there is a complete vacuum in housing planning policy. The National Housing Federation has commissioned detailed research and it has been estimated that 160,000 planning permissions that would have been given under the previous planning regime have not now been given. That means that fewer houses will be built when eventually the housing market returns.

Richard Graham (Gloucester) (Con): The hon. Gentleman mentioned joined-up thinking. Does he feel it is fair that so many families who are not working and who are not disabled receive more in benefits than families who are working and are on the average national salary or less? What would he say to my constituents about the joined-up thinking of the past 13 years that allowed that situation to continue unchanged for so long?

Mr Betts: As Labour Members have clearly said, those on the Government Benches are involved in a complete misthinking about the fact that not everyone on housing benefit is unemployed; many people on housing benefit are on low wages and they will be affected by these changes too. There is a real issue to address about disincentives to work and tapers in the housing benefit system. I would appreciate those tapers being flatter than they have been or are now, but we all have to recognise that if the steepness of housing benefit tapers, or of any other benefit tapers, is reduced, the cost is increased. That is a problem and I look forward to seeing how the Secretary of State will solve it when he introduces his universal credit.

I have alluded to the impact that these changes will have in Sheffield. It is not the cap that affects cities such as Sheffield; it is the 30th percentile change that affects us. That is the fundamental problem and it will cost the average family on housing benefit in Yorkshire and Humber about £7 a week. The total cost of the change for the average family in Sheffield will be more than £30 a month, and it will lead to dispersal. There are considerable differences in the rates that apply in different parts of Sheffield, and not only the unemployed, but those on low wages who are renting in the private sector will be dispersed from richer parts of the city, in the constituency of Sheffield, Hallam, to other parts of the city. I did not use the word "cleanse" or "clear", because "disperse" is an accurate and proper word to use when describing what will happen. The city will become more segregated and more divided. The situation will get worse, because local housing allowances are linked to the consumer prices index but rents rise at a higher rate. Therefore, over time, people will be dispersed from progressively more parts of the city. That is what the impact will be on cities such as Sheffield—that is the reality.

At the same time, housing departments, such as Sheffield city council's, will face pressure because unemployment will create more housing problems and more homelessness. The budgets of these departments will have been cut, yet they will have to deal with advising or re-housing people in desperate circumstances. What we have not had a clear answer to is whether people who have to move home because they cannot pay their rent as housing benefit no longer covers it will be considered intentionally homeless. That is a fundamental point, so can we have an answer on it please? Can we also have an answer on whether the Government really are going to change the homeless legislation as Lord Freud indicated in order to see their way out of this problem without local authorities having to have the responsibility of housing people? Those are fundamental issues.

Why is it necessary to punish the couple in their 50s who lose their jobs, whose family have left home and who are living in a three-bedroom council house? Why is their home at risk because they have lost their jobs and housing benefit will not cover their rent as they are deemed to be under-occupying? This is simply not fair. It is a vicious and nasty policy that is aimed at hard-working people who happen to be unemployed and who then need to be re-housed too. These benefit reductions are not part of any grand policy on welfare reform and they are certainly not part of any clear housing strategy. They are part of an unfair agenda driven by the Chancellor, who has simply cut the incomes of some of the poorest people in our communities.

6.45 pm

Laura Sandys (South Thanet) (Con): I thank the hon. Member for Sheffield South East (Mr Betts) for his speech, despite disagreeing with many of the things he said, not least the last one. This is an interesting debate because we are considering housing benefit change, but in many ways it has to be regarded as part of a much wider welfare reform programme. As such, we can ensure that some of the observations of Labour Members will be addressed by the universal credit benefits, the Work programme and many other ways in which the Government will make work reward and pay, by ensuring that we put the right value on, and give the right level of reward to, those who work.

It has taken a lot of political courage to address housing benefit. It has not been done early enough, but the coalition can now deal with what has become a ludicrous and highly inflationary system. Like my hon. Friend the Member for Hastings and Rye (Amber Rudd), I represent one of the poorest areas in the country—it has the second highest number of low-paid workers. These people earn less than £7 an hour and often hold down more than one job at a time; they work in the care sector, in our hospitals and in the low-paid retail sector. Before and during the election, my campaign with them focused on asking how we could show how greatly we valued them. I promised to do something about this issue and said that my Government would try to help those people who hold down one or two jobs, who put food on the table and who ensure that they pay their rent.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): Does the hon. Lady acknowledge that the majority of housing benefit recipients are people in work, pensioners and disabled people, and that less than one in five of the recipients are unemployed?

Laura Sandys: First, it is 13% of people who work who receive housing benefits. It is good to see on the Front Bench the Minister who is responsible for disability, because in addition many provisions are made for people with disability. We need to protect those who are vulnerable, and they will be protected. It is crucial that we ensure that equity and justice are at the heart of the housing benefit structure.

Housing benefit is one of the key problems in Thanet. In an area of real deprivation, the rate of housing benefit has dramatically distorted the market, disadvantaging those on low wages while not delivering an improvement in the housing stock for those on housing benefit. I wish to highlight three blights that my constituency faces as a result of the level of housing benefit. As I said, it is unfair on the low paid, who do not claim housing benefit. The double whammy of inequity is compounded by the inflationary impact on the overall housing market.

Guto Bebb (Aberconwy) (Con): I, too, represent a seaside constituency, so I know that my hon. Friend's point is strong and fair. The average wage in my constituency is £21,800. People earning that will be paying about £4,500 in taxes, yet they often find themselves priced out of the local market by people who move into the area from other parts of the world.

Laura Sandys: My hon. Friend mentioned £21,000, but the average wage in the south-east is £17,000. The inflationary impact of housing benefit on those families has been huge.

My second point is that these rates have not seen an improvement in the housing stock. Some landlords are interested in the rental value rather than the capital appreciation because that gives them such a high return on their investment. Investing in the properties and in the fabric of them is therefore not a priority.

The third issue is the extreme concentration of housing benefit claimants in pockets in my constituency. That problem was brought up by my hon. Friends the Members for North East Hertfordshire (Mr Heald) and for Cardiff Central (Jenny Willott). We create micro-economies that attract a significant amount of housing benefit because property prices are so low and the return from housing benefit is proportionally high.

The current situation has fundamentally distorted housing in my area. The average wage in Thanet is £17,000 and housing benefits for the unemployed stand at more than £8,000 a year. Most working families cannot compete in that market.

Richard Graham: Does my hon. Friend agree that one of the bizarre uses of the word "fair" during the whole debate has been the assumption that it is somehow unfair to people who are not working for them not to have better housing than those who are working? The whole point of this reform is to enable a level playing field in which people can live in the houses that they can afford from their work.

Laura Sandys: Absolutely.

As I said, concentration is also an issue. Two wards in Thanet have 83% privately rented accommodation and 20% of all the benefits claimants in my district, but only make up 2% of the population of Thanet district. Some 30% of the activity of all our housing benefits department is taken up by those two wards. Why? The housing benefit has increased by more than 50% over the past 10 years. Some landlords are making a return on their investment of more than 12% through housing benefits whereas similar properties in Westminster would generate only 4 to 5%. These pockets are hugely attractive to landlords, particularly in coastal towns, and that can be very inflationary.

In certain areas across the country, these micro-economies have significantly lower house prices than areas within their broad market rental area. I urge the Government to consider the possibility of allowing local authorities to create sub-districts to ensure that they can exercise the localism that is at the heart of our agenda and the discretion to assess where low market values are creating a magnet for housing benefit claimants. However, that has to do with broader issues of welfare reform. I am sure that throughout the universal approach that the DWP is taking, we will be able to reverse the current situation.

Our system is broken. Those who want to work know that work does not pay. Those who work get less than those who claim and those who do not work often receive the most. I commend these measures and believe that many in my constituency and those areas that have lower income workers will welcome the reforms.

6.53 pm

Phil Wilson (Sedgefield) (Lab): I want to broaden the debate, because for me it is about not just housing benefit but housing in general. In particular, I want to talk about the problems that we have with private landlords. It seems to me that the Government are more than prepared to attack the tenants, whereas we need to look at the escapades and state of some of the private landlords we have to deal with—not just in the cities, but in ex-colliery villages in County Durham, such as those that I represent.

There seem to be three basic problems. We need to look at housing benefit and the LHA and to reform them, but we also need to look at the rented sector and at housing supply in general. There are three pillars to the problem, as I see it. If we do not control and manage the private landlord aspect, it will suck the community spirit out of some of our villages and communities up and down the country. I have had problems in places such as Chilton, Ferryhill and Trimdon Station, where the police have been involved. I have had to address large meetings and the problems have basically been to do with the behaviour of some private landlords and, indeed, the tenants too.

We should consider not only the reform of housing benefit but the depth of the problems in some of our communities. For example, we did a survey in some of the communities that I have just mentioned of just under 1,100 houses, 38% of which were in the hands of private landlords. More than half of those private landlords did not even live in the county and quite a few—a significant number—lived outside it. What kind of

[Phil Wilson]

relationship with and understanding of the local community will they have if they do not even know where some of the properties they own are? That is something that the Government need to address.

The Labour Government started to address it with a selective licensing scheme sanctioned by the Secretary of State. I have two or three in my constituency and they are starting to happen around the country, too. Local authorities can implement these schemes and they go some way towards imposing rules and regulations on private landlords and on the behaviour of tenants. The only problem is that although we have the legislation, if the Government are interested in that aspect of housing they should give it some funding so that we can have stable communities where there are private landlords and a lot of people on housing benefit live.

Another thing that we wanted to introduce was a national register for private landlords. That was one of the things that I discussed with the then Secretary of State, my right hon. Friend the Member for Wentworth and Dearne (John Healey), before the election. However, the Government have said that they will not introduce it. I understand that they think that it is over-bureaucratic, but local residents who have to put up with some of the behaviour of the private landlords and their tenants do not believe that it is too bureaucratic. If there is a will, there is a way, and we will have to consider that in future.

I do not agree with those who think that if housing benefit and the LHA are reformed in the way that the Government propose, rents will automatically come down. The British Property Federation briefing that I have received states:

"Currently in areas across the country from Harrogate to Trafford to Brighton and most of the South West, for every LHA claimant searching for a two bedroom property to rent there are between five and ten individuals who are in work doing likewise. LHA"

and housing benefit—

"claimants will be left behind as landlords naturally seek individuals who are looking for property to rent and are in work."

That is what will happen. People on housing benefit and LHA will be priced out of some of their local communities because the first port of call for the private landlord is those people who have a secure income—people who are actually in work. As the federation has said, five to 10 people in work are chasing every let, compared with two or three people on housing benefit. That is one of the main reasons why rents will not automatically come down. A major survey by the Cambridge centre for housing and planning research has found:

"A majority of 500 landlords surveyed for the study believes the changes will increase arrears, and a large proportion of those who currently let to LHA claimants intends to reduce the number of such tenancies they offer."

Those are some of the issues that we need to address. We should not focus on housing benefit and tenants and think that these people are just sitting watching the television all day long. Perhaps some of them are, but a lot of them are not. Some are pensioners, some are out of work because they have been forced out of work, and some are among the five people chasing every job vacancy. The Government must confront these issues. It is about not just sorting out the tenants, but sorting out the rest of the market, too.

Let me end on one point. I have with me a copy of a written answer from the Treasury. At the moment, about 100,000 tenants in the private sector are paying rents to private landlords—about 44,000 of them—who have not paid tax on that rental income. More than 50% of those landlords are receiving income from housing benefit claimants. The Government need to look into that. It is a case not just of tenants claiming benefit, but of many people in the private sector who rent out properties who are not playing the game. We need to look at both sides, not just one.

7 pm

Paul Uppal (Wolverhampton South West) (Con): I speak in this debate as somebody who has had experience in the commercial and residential property markets for more than 22 years.

I was heartened to hear the comments of my hon. Friend the Member for South Thanet (Laura Sandys). She highlighted the 12% return on some investments and the fact that that seems to attract a certain type of landlord. The hon. Member for Sedgefield (Phil Wilson) alluded to that as well. It is almost an open secret in the property business that that aspect needs reform. If truth be told, it seems to attract those who are not the best landlords.

The shadow Secretary of State, the right hon. Member for Paisley and Renfrewshire South (Mr Alexander), quoted Liz Peace, and the hon. Member for Sedgefield quoted the British Property Federation. Both quoted selectively. The context in which Liz Peace made that comment was much broader. She was making the point that many landlords do not receive housing benefit directly, so they prefer tenants who are working. Her comment was quoted selectively. As a member of the all-party group on urban renewal and regeneration, it is part of my remit to read such quotes comprehensively.

Phil Wilson: Those affected by the cuts will find it increasingly difficult to find a place to live. I quoted most of the paragraph. In the private sector there are good landlords and bad landlords. The problem is that many of them are amateur landlords who have one or two properties. That sector needs to be regulated, and a national register would be extremely helpful.

Paul Uppal: Brevity is always required of us, so I shall press on.

Throughout the debate, I have been saddened by one feature of it. All of us on both sides use partisan language. Let us be honest and acknowledge that some of us use politically partisan language, but the language used about the issue under discussion has been inflammatory and poorly judged. I refer specifically to the term "cleansing". My family experienced partition in India in 1947. My father was eight years old when he saw people forcibly removed—Hindus, Sikhs and Muslims. My maternal grandfather had to protect his neighbours from a mob of Sikhs and Hindus who wanted to burn out his Muslim neighbours. It is particularly difficult for them to accept the sort of language that has been used in the debate.

As a new Member I say these words not through any pomposity or grand-standing, but because our words resonate widely outside the House. The advice that we received at the very beginning to use temperate language was impressed upon us by wiser heads than ours.

Mr Russell Brown: I am sure I recognise the background that the hon. Gentleman comes from. May I offer him a quote?

"A mark of any society is how it cares for the vulnerable. It is not possible for any society to guarantee equality of outcomes for all; it is however possible to achieve equality of opportunities."

That is a quote from the convener of the Church and Society Council of the Church of Scotland. Can the hon. Gentleman explain to me and to the House how people being forced from their homes because of the rent levels and the actions of his coalition Government will produce equality for anyone?

Chris Heaton-Harris (Daventry) (Con) *rose—*

Paul Uppal: I was going to respond to the hon. Member for Dumfries and Galloway (Mr Brown), but I am happy to give way to my hon. Friend the Member for Daventry (Chris Heaton-Harris).

Chris Heaton-Harris: I thank my hon. Friend. Perhaps I can add another quote from a Labour Front Bencher:

"This would lead to social cleansing on an unprecedented scale, with poorer people shipped out in large numbers".

Does that bring anything whatever to the debate?

Paul Uppal: We could trade quotes, but the issue was eloquently covered earlier by my right hon. Friend the Secretary of State, who made a passionate and pertinent point about the inflammatory language that has been used.

Government estimates show that spending on housing benefit has risen from £14 billion 10 years ago to £21 billion at present. These figures self-evidently make the case for reforming the system and I, for one, believe that reform is long overdue. The central point of the proposed reforms is that people who receive benefits should have the same choices regarding housing as people who do not get benefits. To be balanced in these reforms, the Government have announced more support for the additional discretionary housing payment to help the most vulnerable cases, particularly where there are unusual difficulties.

In a nutshell, if we are prepared to pay, as we are, £20,000 in housing benefit, is it not reasonable to assume that we can meet the vast majority of housing requests? But with a massive deficit, tough choices have to be made. We need to push ahead with the changes to ensure that hard-working individuals and families will no longer have to subsidise people living in properties that they themselves could not afford.

Figures will undoubtedly be bandied across the Chamber today, and I have no desire to rerun arguments that have been put forward already, but it is always important to put things in perspective. The maximum rent following the cap will be £400 a week, which is equivalent to £20,000 a year. As the Secretary of State said, based on what people spend on average on housing, this would require an income of more than £80,000 a year. The current maximum local housing allowance rate is £104,000 a year, which would require an income of well over £250,000 a year to fund. Can that be right? Indeed, it could be argued that extreme LHA payments act as a barrier to mobility, trapping people in unemployment and benefit dependency. It is also grossly unfair to expect hard-working low-income taxpayers to fund these rates.

Recently a constituent of mine wrote to me about his experiences as a landlord. The tenant received housing benefit directly after the landlord had been advised that he could be paid directly only if the tenant was in arrears by two months. I say this to show that there are always two sides to the argument—the tenant's perspective and the landlord's perspective. I quote my constituent:

"Currently tenants are assessed for housing benefit and the amount paid is dependent on the tenant's personal circumstances and size of house . . . However if the housing benefit awarded is over the amount of rent agreed on the assured shorthold tenancy, the tenant is allowed to keep the difference."

If the tenant benefits under the existing assured shorthold tenancy agreement, the landlord would have to make up the difference in the rent agreed.

My constituent continued:

"If the tenant is not happy that the rent is being paid directly to the landlord then the tenant has the right to move to a new property and the whole process starts again.

My tenant advised the housing benefit department that she had left my property; they subsequently stopped paying the rent. In fact she stayed at the house for three weeks without paying a penny. When I advised the council that she was still residing at the property and provided them with evidence of this, they said they had to take her word for it".

Although I welcome the broad measures in the housing benefit reforms initiated by the Government, I believe that significant savings could be achieved if the local housing allowance were paid direct to landlords instead of to tenants. That would remove a significant disincentive for landlords to provide accommodation to LHA claimants. Research by the British Property Federation has shown that as a consequence, 60% of the landlords surveyed do not offer tenancies to those receiving LHA, mainly for fear of rent arrears. At the very least, claimants ought to have the right to choose how their housing benefit is paid, and be able to choose that their payments should go directly to the landlord.

I reiterate that I wholly support the Government's measures, not only because they mark a move away from dependency towards independence, but because under the Labour Government housing benefit was allowed to spiral out of control. However, it would be wise to revisit the issue of direct payment to landlords to prevent public money from being wasted, and to encourage landlords to continue to let property to those receiving housing benefit. All of us would agree that the welfare system should provide an effective safety net, but it should not pay workless families far more than most working families earn. As has been said, the 2010 Labour party manifesto stated:

"Our goal is to make responsibility the cornerstone of our welfare state."

I wonder whether the shadow Secretary of State still stands by those words.

I appreciate the acknowledgement in today's Opposition motion that

"housing benefit is in need of reform",

but they mean "at a slower pace", which in essence seems to apply to almost all the debates that we have. Government Members have decided to address the problems that face our country, and, although Opposition Members now talk of reform, under their stewardship housing benefit increased by more than 50% in one decade.

[Paul Uppal]

This debate is not just about reform; it is essentially about responsibility—and Government Members have taken on that responsibility for the good of the country and its financial future.

7.10 pm

Frank Dobson (Holborn and St Pancras) (Lab): I make no apologies for saying that as a Member of Parliament, before that as the leader of Camden council, before that as an individual councillor for Holborn ward, and before that as a human being, I suppose, campaigning locally, I have always been obsessed with trying to ensure that the beleaguered ordinary residents of the area be allowed to stay there. However, that does not mean that I believe that spending £20 billion on housing benefit is a sensible use of public funds. Not a penny of that £20 billion goes on building flats or homes, it is just used to subsidise rents that ordinary people cannot afford, and I remind Government Members from both parties that 100 years ago, Winston Churchill rightly said that rent is a preliminary tax on all economic activity. That was true 100 years ago, and it is true now.

In my constituency there is a gross shortage of housing for ordinary people at rents that they can afford.

Neil Carmichael (Stroud) (Con) *rose—*

Frank Dobson: No, I shall not give way. I do not have time.

When I say ordinary people, I mean nurses, street cleaners, bus drivers, shop assistants, people who clean the hospital, ambulance drivers, kitchen staff, waiters who serve Government Members, butchers, bakers, plumbers, electricians and builders. Those are the ordinary people who I want to be able to stay in my constituency, in decent housing and at rents that they can afford. That is not the case at the moment, and the Government now propose not just to cap housing benefit, but to slash the funding to build decent homes and flats that people can afford.

The Government are cutting housing investment. In Camden, certainly, private rents are very high, and in the south of my constituency they are very, very high. However, the ordinary people living there did not set those extortionate rents; grasping landlords did, and then they gave some of it to fund the Tory party's election campaigns, election in, election out—*[Interruption.]* It is no good Conservative Members jeering; they know that the landlords help to fund their party.

Those profiteering landlords have set the rents, yet the Government claim that if they cap housing benefit the landlords will cut the rents. In my area, nine out of 10 private lettings are nothing to do with housing benefit, so if there is to be a reduction in housing benefit for one flat in 10, it is clearly not going to have an impact on the rest of the sector. There is unlikely to be very much impact at all.

Let us look at the cap. All hon. Members who live outside London rightly receive an allowance for a one-bedroom flat so that they can live in London. The going rate, according to the Independent Parliamentary Standards Authority, is £340 for a one-bedroom flat. According to this generous Government, the going rate for a three-bedroom flat if one is on housing benefit is also £340. Well, if it is the going rate for a one-bedroom flat, it cannot be the going rate for a three-bedroom flat, and that just shows how unfair the system is.

All the talk about the unemployed getting housing benefit is significantly misleading, because at least one third of the people on housing benefit in my constituency are in work. They struggle to make ends meet, they send their children to local schools, and they frequently rely on support, both financial and practical, from family and friends. Many were homeless, but then the Liberal Democrat-Tory coalition council in Camden urged them to rent in the private sector. They were told that that would be okay. It did not matter what the rents were, because housing benefit would cope with them—or, as the current Leader of the House of Commons said some years ago, housing benefit would "take the strain". All those people were told that housing benefit would take the strain, but the Lib Dem-Tory coalition Government are now going to take away the money that would have helped them, and I believe that that is wrong.

Many people from my constituency will be pushed out to outer London where they do not want to be, and among neighbours who do not want them to be there, which does not seem a very good formula for establishing decent communities in outer London. It is also worth bearing in mind that some of those areas already have higher mortgage and landlord repossessions than inner London.

The situation will affect not just people in work, but those out of work. Three such cases were brought to my advice surgery last weekend, all by well-spoken middle-class people who had hit a bad patch. One had lost a well-paid job, another was suffering from a serious illness, and another was experiencing a family breakdown. They all faced being pushed out of their homes, because the housing benefit that helps out middle-class people going through a bad patch is to be taken away from them just to suit the Treasury. Money will be taken away from those in the greatest difficulty.

We have heard of the highland clearances. There are no highlands in my constituency, but what we face is the lowland clearances—a combination of grasping landlords and a malignant Government, as existed at the time of the highland clearances. We do not want those in London, and I hope that we never will have them.

7.17 pm

Jackie Doyle-Price (Thurrock) (Con): I am grateful for the opportunity to speak in this important debate. Many Government Members have said that at the heart of this debate about housing benefit is fairness—fairness for those on average incomes who face higher tax bills because of the size of our welfare budget. I remind the House that when £1 in every £3 spent by the Government is spent on welfare, the need for reform is acute and unavoidable. The need to control housing benefit is an important component of that.

The way in which housing benefit operates causes a major distortion in the way in which our housing market operates generally. As any A-level economics student will tell you, subsidies lead to higher prices, and the result is that as taxpayers we all subsidise the rents that even above-average earners would not be able to afford.

Neil Carmichael: In my constituency one of the biggest problems is that people cannot access houses. It is one of the biggest distortions of which we should be aware, and it is grossly unfair. My hon. Friend makes a good point, because we have to free up the situation so that people who really need a house have access to a house.

Jackie Doyle-Price: My hon. Friend makes a good point. It is easy for Opposition Members to say, "It's all about those evil Tory reforms to housing benefit," but the housing market is much more complicated than that. It involves a lack of supply and, under the failed regulatory system, the over-provision of credit by our banks. All of us together have a big job to do in tackling it, but I am glad that we have seen fit to grasp the nettle and do exactly that.

Mr Lammy: On that point about grasping the nettle, will the hon. Lady and the leader of her local council join me and the leader of mine in making provision to house in her constituency some of the overcrowded tenants in Tottenham?

Jackie Doyle-Price: Tottenham is not in my constituency, I am afraid.

Mr Lammy: "Not in my back yard."

Jackie Doyle-Price: Let me address some of the specifics. We are talking about putting a cap of £250 a week on the proposed maximum for a one-bedroom flat. That would amount to £12,000 a year to be spent on rent. I am afraid that not many people who are working can afford to spend £12,000 on rent.

Sheila Gilmore (Edinburgh East) (Lab): In the event that the problem is as the hon. Lady describes it, can she explain to my constituents why they are having their housing benefit reduced when the cap has no relevance whatsoever to people in Edinburgh because all the rents are well below it? Despite that, they will have their LHA reduced to the 30th percentile. Others, who are not necessarily in the private rented sector, will have non-dependants deductions from their housing benefit increased substantially, which is a serious problem for many low-income households. Why is that justifiable to solve the problem of high rents in London? Why not deal with London on its own?

Jackie Doyle-Price: It is justifiable because this country simply cannot afford the level of welfare benefits that we are paying out. It is all very well to say that this is all about London, but it is not; it is about the fact that people who are working hard are having to pay higher taxes to pay the bills that Labour left for us to sort out.

We have a system of housing support that is no longer fit for purpose. Housing benefit should act as a safety net to support people who need it—I think we would all agree with that—but it should not provide a subsidy for people to live beyond their means, by which I mean beyond the scope of what they could potentially earn. For those who are jobless, it is clear that this level of subsidy encourages benefits claimants to become trapped in dependency. If we are really going to reform benefits so that work is rewarded rather than penalised, we have to build in incentives that do not encourage people just to sit back and collect their benefits.

Mr Umunna: The hon. Lady talked about fairness, and she has mentioned the jobless. What does she think of the proposal to reduce housing benefit by 10% for JSA claimants who have been out of work for more than 12 months and have been doing absolutely everything they can to get work? I come across many people in that position in my constituency, and this measure is unduly punitive, in my view. What does she think?

Jackie Doyle-Price: The hon. Gentleman will be aware that the Government are increasing the discretionary allowances that can be used to tackle exactly that problem. My concern is for the people in part-time work who find that increasing their hours is punitive, because their housing benefits will be clawed back.

This measure is not an attack on the vulnerable, nor is it based on an assumption that all benefits claimants are workshy. It is my firm belief that most people do not want to be reliant on state benefits—that they want the pride and self-respect that come with providing for themselves and for their families. However, we have allowed a benefits system to emerge that sucks the self-reliance out of them by preventing work from paying. It is all too easy for self-respecting people to find themselves trapped in worklessness because the amount of support they get from the taxpayer exceeds what they could expect to earn. If we are going to get our economy back on track, that has to change.

Members in all parts of the House will have received many representations on this issue and its impact on vulnerable people. The National Housing Federation claims that those who rely on housing benefit to cover part of their housing costs will be forced to move away from higher-rent areas, and may as a result have to commute and have difficulty finding family care. Well, that is the day-to-day reality for many of my constituents. I consider it unfair that my constituents are having to pay higher taxes for people to live in places where they would like to live but cannot afford to.

Ms Louise Bagshawe (Corby) (Con): My hon. Friend is talking plain common sense. Does she agree that there is a total lack of reality on the Labour Benches, because a YouGov poll in July on the Government's changes to housing benefit found that 68% of the public supported them, including 57% of Labour voters?

Jackie Doyle-Price: I would say that Labour Members are in denial about how we are going to tackle the issues that will get the economy moving again. Many of my constituents say, when I go knocking on their doors, "Good for you—it's about time people did this," because they are heartily sick of having to keep putting their hands in their pockets.

Dr Whiteford: On the DWP's own figures, nearly 27% of the people who currently receive housing benefit are pensioners. How are those people, who are mostly on a fixed income that has been squeezed hard during the financial crisis, supposed to be able to pick up the tab for welfare reform? That makes no sense, and it puts unbearable pressure on household incomes that are already very pressured.

Jackie Doyle-Price: I think that the hon. Lady needs to see that issue against our broader package of welfare reform. When we introduce the welfare credit reforms,

[Jackie Doyle-Price]

that will be tackled. The Government have recognised that such fundamental reforms will generate difficult cases, and to that end they have increased the money available for discretionary payments. I wholeheartedly endorse that.

Let me reiterate what has been said about the impact that these changes will have on landlords. Removing subsidies means that landlords will change their behaviour. They are charging rents that they know the market will bear, and if we reduce the amount of support available they will have to stay in the market by reducing their rents, or get out of it. As the hon. Member for Sedgefield (Phil Wilson) and my hon. Friend the Member for Wolverhampton South West (Paul Uppal) said, those are exactly the kind of people we want to leave this marketplace.

I shall finish where I started, with the concept of fairness. Government Members want a fair deal for the taxpayer. We also want a welfare system that acts as a safety net and rewards work. Doing nothing, and allowing the current system to continue, would not be treating taxpayers or benefit claimants fairly.

7.26 pm

Mr Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): I have to disappoint not only the hon. Member for Thurrock (Jackie Doyle-Price) but one or two others on the Government Benches who called for us to be passive and calm. To be perfectly frank, my constituents would be extremely disappointed, and rightly so, if I were anything other than angry as this debate proceeds. The plain and simple fact is that this debate is about cuts to the most vulnerable—and it is not new. We saw it in the '80s, and in earlier days when the Conservatives had control. This time, we are telling them that enough is enough.

In my constituency, the response to people who talk about fairness is that this has nothing to do with being fair—that it is unbelievably unfair and unjust. There was an air of unreality in the speeches by Government Members, including, I am sorry to say, the Liberal Democrats. I hope to have time to deal with that in a moment or two. In my constituency, as against what we have been hearing, 7,965 households are in receipt of housing benefit, and probably more than 2,000 will lose £9 a week, with many losing more if they are in the private sector. What is beyond doubt is that the overwhelming majority will lose out: how can that be fair?

Neil Carmichael: There is one big unfairness, and that is the level of debt that you have left us to deal with. You are talking about cuts, but we are giving people opportunities as well, and that is what fundamentally underpins the changes to housing benefit. What do you say about that?

Mr Deputy Speaker (Mr Lindsay Hoyle): We are not going to use the word "you" in future, are we, because I am not responsible?

Mr Clarke: I was about to deal with the hon. Gentleman's point, and I will do so with the respect that it deserves—frankly, that is very briefly.

The hon. Member for Colchester (Bob Russell) rightly reminded us of the role of Lord Beveridge in dealing with these matters, followed, as he said, by Clement Attlee, who built the welfare state—and whose record on housing was outstanding—and who did so after the war, having dealt with one of the biggest deficits in history. So when it comes to deficits, do not blame it on my people—the people with whom I have grown up.

People have been complaining about the media. I am sick and tired of the media expression "workshy". We have already been told by the TUC—I prefer its figures to the ones that we have heard from Conservative Members—that only one in eight people who make applications are unemployed. We are not talking about the workshy; we are talking about the work-starved.

Yasmin Qureshi (Bolton South East) (Lab): Like you, I am sick and tired of the Tories blaming the need to make cuts on the ordinary working person, when we know that it was the bankers who caused the crisis. What do you think—

Mr Deputy Speaker: Order. Members are using the word "you", but I am not responsible. I call Tom Clarke.

Mr Clarke: I repeat that we are dealing with people, including those with disabilities. They are going to be dragged along for tests, sometimes lasting 10 minutes, and then be told that their payments will be cut off. That happened in my constituency in the 1980s, when person after person told me about such experiences.

The Government tell us that there are hard choices, but there are no harder choices than those that have to be made by people living in high-rise flats who cannot afford electricity or gas given the increased energy charges that we are experiencing. They have to choose whether to eat or have heating, and whether to have any leisure activities at all or to stay at home. On top of that, something that is at the very heart of their income is to be attacked—housing subsidies, as they have been called. Nobody said anything about subsidies given to the bankers.

Ms Bagshawe: The right hon. Gentleman must be massively disappointed that an overwhelming 57% of Labour voters agree with the Government's changes to housing benefit. How does he explain that to his supporters?

Mr Clarke: I am speaking for my constituents, and I have not found a single person in my constituency who supports what the coalition proposes. We will go into the voting Lobby at the end of the debate, and afterwards my constituents will look at how we voted. In particular, they will look at how the Liberal Democrats voted, because they know that the Liberals are propping up a Government in whom they simply do not believe, particularly in this field. Nor do my constituents. No wonder the Liberal Democrat Benches are practically empty, although I pay due respect to the two Liberal Members who have stayed.

We have not been without advice from other quarters. What Shelter has said is important, as is what Brendan Barber of the TUC has said. He has stated:

"Ministers want us to believe that housing benefit is going to what they would call work-shy scroungers, yet in reality only one

claimant in eight is unemployed. The rest are mainly low-income working households, pensioners or the disabled."

The homeless charity Crisis has said that the Government are "peddling myths" about housing benefit claimants. Its chief executive Leslie Morphy said:

"We are concerned to hear those who are reliant on housing benefit being described as making a 'lifestyle choice'. Nearly half of those on LHA already face a shortfall between their benefit and their rent of an average of £23 per week, meaning tough choices between rent, food, heating or falling into a vicious spiral of debt."

I could go on. My local associations, such as the citizens advice bureau and disability organisations, agree. We had an excellent meeting in one of the Committee Rooms of the House of Lords just a few weeks ago, with representatives of organisations of and for disabled people. Lord Rix made an outstanding speech, and the overwhelming view was that those people were representing those who are already disadvantaged and not fully recognised by society, and who are being asked to bear the brunt of what the coalition Government are imposing on them. How can that be fair?

How can it be fair to say that we have an economic problem, so we will ask the poor to pay for it? Are all the people who criticise the coalition—Shelter, landlords who have made it clear that they will not reduce their rents, the TUC, the Archbishop of Canterbury, the Church of Scotland and so on—wrong, and coalition Members right? I believe not.

The result of tonight's Division will be extremely important. We have a choice about priorities and our commitment to people. It is a choice between what is decent, right and reasonable and what I believe is the arrogance of intellect and the exploitation of power.

Jenny Willott: On a point of order, Mr Deputy Speaker. I should just like to correct the record. Earlier in the debate, the hon. Member for Eltham (Clive Efford) quoted my website, suggesting that I had criticised the current Government for hitting the poorest hardest. I am sure it was a simple oversight, but in fact the quote that he referred to was from 2009 and referred to my criticisms of the previous Labour Administration.

Mr Deputy Speaker (Mr Lindsay Hoyle): I have to say that that is not quite a point of order, but you have certainly got the clarification on the record.

7.36 pm

Mr Aidan Burley (Cannock Chase) (Con): I congratulate the hon. Member for Cardiff Central (Jenny Willott) on her clarification. I am very glad that she has made it.

I heard so much that I disagreed with from the right hon. Member for Coatbridge, Chryston and Bellshill (Mr Clarke) that I do not quite know where to start. I should probably take the opportunity to point out to Opposition Members, as I always do, that last year, of the £700 billion that the Government spent in total, only £40 billion went on propping up the banks, which is 6%. They can hardly go around blaming the bankers for the £170 billion deficit that they left us.

Frank Dobson: Will the hon. Gentleman give way?

Mr Burley: No, I want to make some progress.

I wish to take head-on the accusation made by the right hon. Member for Coatbridge, Chryston and Bellshill that this is all about the cuts. Of course, a lot of the changes that we are making to housing benefit, and others matters that we are debating at the moment, are a result of having to make public spending reductions. It is broadly agreed by Members of all parties that we need to reduce public expenditure to pay off the deficit and start paying off the £1.4 trillion debt.

Mr Tom Clarke: Can the hon. Gentleman tell the House of one single television debate in which his leader referred to housing benefit cuts?

Mr Burley: I can tell the right hon. Gentleman that housing benefit expenditure ballooned from £11 billion in 1999 to £20 billion 10 years later, and is forecast to reach £25 billion by 2015. The Prime Minister would agree with me that the country simply can no longer afford that. We cannot go on like this, spending £25 billion a year on housing benefit.

I wish to leave for a moment the necessity argument and the fact that we have to make these changes. Even if we were in the boom years, they would be necessary purely on the grounds of fairness. They are all about fairness, but the problem with the word "fairness" in political debate is that beauty is in the eye of the beholder. There is no single agreed definition of what is fair. Everybody in the House defines it in their own way. For Opposition Members—I respect them for it—it is about redistribution of income. It is about taxing the rich more and throwing more money at the poor. For us, it might be about fairer taxes or rewarding hard work and playing by the rules. Fairness is about being able to keep more of what one earns.

What I wish to add to the debate is what we believe is fair when it comes to housing benefit. I will start with a few basic questions of principle. Is it fair that hard-working individuals and families in this country should subsidise people living in properties that they have no realistic chance of ever affording to live in? Is it fair that when the average salary in this country is £22,000 a year, some people, as we have heard, can claim more than £100,000 a year just for their rent? Is it fair that even under the proposed cap of £20,000 a year, a person would still need to earn about £80,000 just to have that disposable income for their rent? Is it fair that the cap is being set so high? If the average salary in this country is £22,000, the cap should actually be about £7,000 a year.

Sheila Gilmore: If the real aim is to reduce the housing benefit bill, will the hon. Gentleman explain why his Government propose to change the way in which houses, for both councils and housing associations, are built? The tenants will be paying for the cost of building houses and rents will rise to 80% of market rents, which will put up the housing benefit bill. If that is the hon. Gentleman's key objective, how does that help us to reduce the housing benefit bill?

Mr Burley: The hon. Lady should have listened to what I said. Our point is that it is not just about reducing the housing benefit bill, but the issue of fairness. We need to go back to the first principles in this debate and decide what is a fair amount for the working majority to pay towards those who do not, cannot or

[Mr Burley]

will not work. What is fair? The average annual earnings in my constituency is £25,279 a year.

Michael Ellis (Northampton North) (Con): On the subject of fairness, is it not right that Opposition Members persistently forget one of the first principles of fairness, which is the juxtaposition between low-paid hard-working families and those on housing benefit? Housing benefit claimants should not be better off than those who are hard-working and low paid. Is that not a principle of fairness?

Mr Burley: That is precisely my point. People in Cannock Chase who earn £25,279 a year would frankly love to have £20,000 to spend on housing from an equivalent annual salary of £80,000, because that is what it equates to. That is dreamland for them. They have never earned £80,000 a year, so why should they be paying out of their hard-earned taxes for some people to have the equivalent of a salary of a quarter of a million pounds so that they can live in parts of London that have some of the most expensive postcodes on Earth.

Sheila Gilmore: If the problem is about households with very high rents, why not tackle that problem? Perhaps we could build more affordable houses in London. Why not solve the problem in a phased way? Housing benefit changes will be made all over the country and 30% of housing benefit recipients in my city are at work. Why are they being punished because there is a problem? Why not just solve the problem? The hon. Gentleman has spoken very eloquently on it.

Mr Burley: I agree with the hon. Lady on the need for a regional cap. Funnily enough, some of the work that the Independent Parliamentary Standards Authority has done on regional caps for MPs should be considered. In my constituency, the IPSA cap to claim is £700 a month. That is what IPSA thinks is a reasonable rent for an MP and his family to claim to live in Cannock Chase. Yet under the housing benefit rules, a person can claim £1,600 a month, which is more than double what IPSA thinks is fair for an MP. How is that fair?

The charity Shelter, which has been guilty of some terrible scaremongering, has claimed that up to 80,000 people will be made homeless by the plans. It falls to it to redefine its ludicrous definition of homelessness, which includes two teenage children living in the same bedroom. That is hardly the definition of homelessness that most people in this country would understand. For most, homelessness is about someone not having a roof over their head. Even according to Shelter's own briefing, the average loss in my constituency will be £30 a month—£7.50 a week. The total number of claimants in Cannock Chase is 10,278. Therefore, one eighth of my constituency—it is a very poor working-class constituency that used to have 52 coal mines—will have to adjust their weekly outgoings by less than a tenner. Is that really a reason to speak of weeping children, social cleansing, Highland clearances, or, worst of all, as Polly Toynbee said, a "final solution" for the poor? She somehow compared capping housing benefit to £20,000 a year to the extermination of 6 million Jews. The left has engaged in disgusting language and it should be thoroughly ashamed.

If anything, these reforms do not go far enough for me. Let me finish by saying that as a country we must start to live within our means. We need to even up the benefit that a person gets from working with the benefit that a person gets from the Government. Yes, the changes are about saving money, but they are also about fairness. It is simply not fair that people on low incomes in my constituency, in which the average income is 25 grand a year, should pay their taxes to subsidise those who want to live in some of the richest postcodes in this country, where a person would need a salary of £250,000 to afford them. That is not fair and neither is the Opposition's motion.

7.45 pm

Roberta Blackman-Woods (City of Durham) (Lab): Let me begin by commenting on how the coalition parties seek to frame this debate, which was exemplified in the speech by the hon. Member for Cannock Chase (Mr Burley). They are trying to suggest that housing benefit claimants are workless, wasteful and feckless. They are using the most extreme examples of housing benefit claims to try to suggest to the public at large that that is the norm. They are trying to dress up cuts to benefits for some of the most disadvantaged people in this country as fair. If the hon. Member for Hastings and Rye (Amber Rudd) were still in the Chamber, I would say to her that the only sensationalising of this issue that is going on is in the right-wing press. The press is trying to lead the whole country to believe that everybody on housing benefit is getting £26,000 a year. That is absolutely scandalous and outrageous. I cannot believe that the Secretary of State, who has a social policy background, is presiding over such changes. Shelter suggests that the change to the JSA will mean that many claimant households will be shifted from around or below the 60% median income, which is the poverty line, into severe poverty. That will force an additional 84,000 households to live on less than £100 a week. Those are the sums that will apply to most people on housing benefit, which includes 54,000 children. We need to have a more balanced debate on the issue and to have some of the real facts talked about in this Chamber.

The hon. Member for Colchester (Bob Russell) made an interesting contribution. I accept that when we were in government, we did not build enough social houses. In my constituency, the Liberal Democrat council never implemented a housing policy that ensured that all developments contained 30% social housing. Such a measure was not implemented year on year, which is why we have such a shortfall in social housing. Tory and Liberal Democrat councils all over the country stopped, through the planning process, delivering houses. I am talking about not just social houses, but houses right across the whole spectrum. That is why we have a real problem with supply, and those councils should take responsibility for the situation.

Let me go on to explode some of the myths that have been put around about housing benefit claimants. Let us take the first myth that all claimants are workshy. Only one in eight of all housing benefit claimants is unemployed. Taking just those in receipt of local housing allowances across the country, 26% are in employment

and only 19% claim jobseeker's allowance. The rest include pensioners, carers, disabled people and others unable to work. In the north-east, 18% of people in receipt of local housing allowance are in employment, and that includes a number of people in my constituency.

A lot of people in receipt of housing benefit have very complex needs. I have an example from my local housing authority. A 21-year-old woman secured a tenancy through working with a family intervention worker, who helped her to move on from an overcrowded and difficult family situation. She has multiple social issues, so subsequently, in addition to her weekly rent, she had a tenancy sustainment officer working with her. Also due to her circumstances, she had no furniture and had to access a furnished tenancy. With the changes to long-term jobseeker's allowance after 12 months, she will lose 10% of her housing benefit entitlement. With the additional services, that means £10.75 a week. Her JSA is only £51.85, which means that her income will drop by 20%, leaving her with just £21 to buy food and clothes, to pay for transport, and to get to job interviews and so on. That is the sort of change we are talking about, and that is the type of person who will affected.

I want to address issues applying specifically to my constituency. The risk analysis by the Department for Work and Pensions states that 99% of LHA claimants will, on average, lose £12 a week. With regional variations in the economy, some areas will bear disproportionate impacts, and Durham has been identified as one of those areas. It will take a bigger hit than many other authorities, which is made much worse by the fact that constituencies such as mine have artificially inflated private sector rents because of students. With the reduction in the amount a person can claim from the median to the 30th percentile, most people will be priced out of private renting in Durham. There are always a lot of students willing to come in and take their place, so this will not lead to a reduction in rent levels. Poorer families will be pushed out of areas such as my city centre and will have to move to outer areas, where they will find it much more difficult to access work opportunities. I ask the Minister therefore to think again about the proposals, and certainly to stop trying to suggest that this is part of the fairness agenda. It can be described only as an unfairness agenda.

7.52 pm

Mark Pawsey (Rugby) (Con): Any organisation facing an item of expenditure that has increased by 80% over 10 years would consider it a matter for attention, so it is entirely appropriate that the Government have been looking at housing benefit, given that expenditure there has increased from £11 billion in 1999 to £20 billion in 2009, and it is predicted that, without the reforms the Government are bringing forward, that figure would rise to £25 billion in 2014. As the Minister reminded us earlier, that is £1,500 per working family. Labour did nothing about the situation during 13 years in government, despite the anxieties of the right hon. Member for Holborn and St Pancras (Frank Dobson), although it was recognised by Labour in its 2010 Budget and is accepted in this motion. The question, therefore, is not whether we should act, but how we should act.

The situation today arose from the freeing up of the private rented sector by the Conservative Government in the 1980s. People were freed from the state as the only provider of affordable housing, and new, assured short-hold tenancies massively increased the private rented stock—a stock of property that was barely in existence up until that point. That measure gave greater choice to tenants and increased mobility, but it became clear that if people's circumstances changed, or they were unable to remain in their homes, a new form of support would be needed. However, that support has got out of control. In addition, the system has introduced unforeseen consequences, because the payment of housing benefit has caused rents to rise higher than they would otherwise have done. There are 3.3 million rented properties in the UK, and 1.2 million tenants receive this benefit. That is more than one third of the total, and has a massive effect in the market for rented properties.

Sheila Gilmore: Is the hon. Gentleman not aware that according to two recent research reports—the Rugg report in England, and another conducted in Scotland for the Scottish Government—the proportion of those in the private rented sector on housing benefit was less than 20%. In Scotland, it was 17%. That report was published last year—not a long time ago. Of that 17%, only 8% were on full housing benefit, 6% had half paid, and 3% had less than half paid. Those are the actual figures from research. It is important that we have this published research, and that Government Members are aware of it.

Mark Pawsey: I am referring to the UK as a whole, and I will go on to show how the current system has driven rents up. When councils make their rates available, landlords use them as a benchmark for the rents they charge, knowing that a proportion of tenants will be able to pay and will not contest the level. The recipients of housing benefit are happy to accept whatever a landlord asks for, because they know that the state will pay. That contrasts with the position of private tenants, paying rent out of their earned income, who will be keen to negotiate the best rent they can. These higher rents might be good for landlords, but that does nothing to help people who are not in work to find work. In fact, the reverse can apply, because it can discourage claimants from taking low-paid employment or from working longer hours, because if they do so, their benefit entitlement might be lost, and the mobility introduced by the sector might be reduced.

It is worthwhile remembering—sometimes the Labour party seems to forget—that the benefits paid to recipients come out of the taxes paid by hard-working families. A number of my hon. Friends have drawn attention to that. Often, they are the kind of people who look with envy at the kind of housing enjoyed by some recipients of housing benefit. The new system will make things fairer.

We have heard a great deal today about the effect on people living in London, and some Government Members could be excused for thinking that this is a London-only issue. In my constituency, however, a terraced house costs £550 per month to rent, so some of the sums spoken about, such as the family cap of £26,000—more than many people in my constituency earn in a year—are out of this world to the average resident in my constituency. They fail to understand why such sums should be made available.

[Mark Pawsey]

Concern has also been expressed about the effect of the new rules on availability of properties for people in receipt of housing benefits. I believe that landlords will have to become more realistic in the rents they accept. They will have to accept a lower return than they enjoy now. My hon. Friend the Member for South Thanet (Laura Sandys) spoke about landlords enjoying a return of 12%. There is no reason residential landlords should receive a disproportionately higher rate of return at the expense of the state. In order to improve returns, those who are committed to this sector for the long term and who continue to acquire properties in the future will not be willing to pay capital prices at the level they have done previously. That will exert downward pressure on the price of housing, making housing more generally more affordable, and, as a side effect, benefiting many people struggling to make a start on the housing ladder.

Increasing the supply of housing more broadly will be another important factor as the coalition deals with the Labour party's failure to build enough homes. Last year, fewer homes were completed than in any time for a generation, and today's housing reforms need not be seen in isolation when it comes to providing support for those in need of housing.

Andrew Bridgen (North West Leicestershire) (Con): My hon. Friend should be aware that last year saw the lowest number of houses built since 1924.

Mark Pawsey: I thank my hon. Friend for that intervention. I spoke about a generation, but it is clearly two or three generations. Either way, we need to deliver more houses, as I think has been recognised by the Labour party, and the changes that the Government are introducing in the localism Bill will enable more houses to be built. It is that additional supply that will bring down prices for both rental and sale, giving occupiers a better deal. Progressive authorities, such as my local authority in Rugby, recognise the benefits of housing growth both for their local economies, by introducing new consumers into the area, and for the community as a whole, through the new homes bonus, which will enable the local authority to retain more council tax to develop new infrastructure.

I will draw my remarks to a conclusion because I know that other Members wish to speak. In my view, the housing benefit reform that the coalition is introducing is a necessary step in controlling the cost of the system of housing support to taxpayers, a saving that will yield £1.6 billion a year. In addition to that saving, the system being introduced will bring long-term benefits in the operation of the housing market.

8 pm

Alex Cunningham (Stockton North) (Lab): As a new member of the Select Committee on Work and Pensions, I have a keen interest in this topic. The Committee is undertaking an inquiry into the impact of the changes to housing benefit. We had an insightful evidence session the other day with the Minister for Welfare Reform. Conclusions will follow soon.

It is worth repeating that the statistics show that 4.7 million people receive housing benefit in the UK, two million of whom are pensioners, 500,000 are on jobseeker's allowance and 700,000 work in low-paid jobs. The housing benefit total is clearly a huge sum, and I, too, am in favour of reforming housing benefit if the changes are fair and well thought through. We all agree that the deficit must be cut somehow, even if we do not agree about the pace at which the cuts should happen. However, the coalition is seeking to push through the changes to housing benefit on the basis of quick fixes and cheap headlines. I reject the approach of targeting and punishing people—that is what it is: punishing people—who cannot find work. Someone who is trying their best to get a job should not have 10% of the money that they need to pay their rent taken from them, thereby only adding to their miserable situation, imposing even greater stress, both financial and emotional, and doing nothing to improve their job prospects. Indeed, quite the contrary: doing so reduces their meagre resources still further, cutting the funds available to them to apply for jobs and attend interviews.

Dr Whiteford: Does the hon. Gentleman agree that those cuts will affect local authorities, which will have a statutory duty to pick up the pieces when people are evicted from their homes or forced on to the streets?

Alex Cunningham: I do agree. Indeed, my local authority has told me of its anguish in wondering how it will cope with the problem at a time when it is also facing 25% cuts in its budgets.

The cut to housing benefit is not the only disincentive to work. Those 700,000 people claiming housing benefit who are in low-paid work will incur greater travel costs to get to work if they are forced to move further from their places of employment. Indeed, they might not even be able to afford to do so, thereby losing their jobs. For those who are already working for the minimum wage or close to it, the change could make the difference between balancing the books each week and being unable to pay the bills and put food on the table. Certain sections of the media would have us believe that the vast majority of people who have been unemployed for 12 months or more are lazy layabouts who do not want to work—not so: in reality, very few people have that attitude. Most people who are unemployed want to work and provide for their families. The Government's crude measure, however, will target all those people, regardless of their attitude.

Despite reductions in the number of people unemployed in recent years, in the Stockton borough there are still nine people unemployed for every job available. With 500,000 public sector and 500,000 private sector jobs set to go as a result of the coalition's cuts, things will only get worse on Teesside. People should not be punished because of a lack of jobs. A few weeks ago, Connaught, a major building company, went into administration, and it was followed by another this week, Rok. Both were big employers in my area, and I doubt whether either will provide the private sector jobs that the Government seem to think will be magicked out of thin air. If people had those jobs, they would not have to access housing benefit.

As a result of the changes, people who claim housing benefit will lose £9 a week on average, or £468 a year, which is a lot of money to a lot of people. It is a big drop in income for people struggling to make ends meet. Much of the focus has been on the impact of the changes on London and the south-east, and understandably

so, given the high cost of housing in those areas. However, Shelter estimates that some 45,000 people in the north-east will also be affected by cuts to housing benefit. In Stockton-on-Tees, the local authority has told me that from April 2011, 30 families will lose out by £36 a week on average, thanks to the removal of the five-bedroom local housing allowance rate. From April 2012, 400 claimants will be hit by the extension of the shared room rate, which in future will apply to people up to the age of 35. Another 1,800 households will also lose out in hard-cash terms. Clearly the impact of the changes will be felt by people across the country, and not just in London and the south-east.

We must also look at the associated costs of the changes for local authorities. The wider impact of the changes on families and communities will be significant, particularly in areas expected to see an influx of people who have been forced to move out of areas in which they can no longer afford to live. For example, some schools may see an influx of pupils, as families are forced to move to areas where accommodation is cheaper. I worry that uprooting families in that way will cause chaos and might end up costing more than it saves.

Others Members have talked about the shortage of affordable homes. A key reason for the increase in the housing benefit bill in recent years is the lack of affordable housing. I am passionate about the need to build more homes and ensure that young people in particular can get on the property ladder. According to the Council of Mortgage Lenders, more than eight out of 10 first-time buyers get on the housing ladder only because they receive cash from the bank of mum and dad. First-time buyers today typically require a deposit of 21%, compared with 10% three years ago. The problem will surely only get worse for those young people due to start university in 2012, who will graduate with huge debts, of £30,000-plus, making it even more difficult for them to save for a deposit for a house.

Thirty-five years ago, 85% of the housing budget went on bricks and mortar, building new homes. Today, more than 85% of the housing budget goes on helping people with their housing costs, because the lack of affordable housing has driven up rents and house prices so much. Under the previous Labour Government, many new homes were built, including 500,000 more affordable homes, but that was not enough. In addition, the right to buy gave millions the chance to own their own homes, but it meant that the nation's social housing stock dwindled. Surely the long-term solution to the problem is to invest in our housing stock, to ensure that rents and house prices are sustainable, and that ordinary, hard-working people can afford housing without assistance from the state.

Since the coalition came to power, I am told that local councils have ditched plans for new homes at a rate of 1,300 every day. That is not the direction that we as a nation should be travelling in. I will be interested to hear just what the Government plan to do to reverse that decline and help us build the affordable homes that will help negate the need for such vast sums of public money in the benefits system.

8.8 pm

Nick de Bois (Enfield North) (Con): As an outer-London MP with the 13th highest proportion of LHA claimants, I very much welcome the opportunity to contribute to this debate, in preparation for which I met representatives from Shelter and other interested parties. I had looked forward to this debate, but I must say that as the afternoon has grown longer and I have grown a little wearier, I have been disappointed that, apart from some notable contributions, we seem to have heard a lot of cant, hyperbole and soundbites from many Opposition Members, which has done little to improve the quality of the debate.

I have sat here for so long that I started looking for some fresh ideas, and at one point the hon. Member for Sheffield South East (Mr Betts) said that there was no strategy. Well, strategy there is, and strategy is the point that has been missed by Opposition Members, because it is a mistake to look at housing reform in isolation. That is a mistake that we have seen all afternoon. To do so is to miss the point of what the Government are trying to do. This Government's strategy is to try to lift people out of poverty, taking them from dependency to independence—something that the Opposition have neither embraced nor understood, but even at this late hour I hope that they might just reflect on it. They are missing the point of what the Government are doing, but by understanding my constituency they will see what we can do for our constituents.

Enfield North has 7% unemployment, higher than average youth unemployment, and pockets of poverty, mainly in the eastern area. Those are issues that I want to conquer, and that requires reform. Doing nothing is not an option, but constructive suggestions have been notably lacking from the Opposition. Of course the decisions are difficult—*[Interruption.]* I welcomed the conversion of the hon. Member for Dudley North (Ian Austin) to the cap for London, which was seriously missing from everything that the Opposition had said previously. Of course the changes are difficult, but that does not mean that they are wrong. They will drive out poverty by the most reliable means of helping people and contributing to getting them back into paid employment.

The Secretary of State is sensitive to many of the demands. He was quick to point out the discretionary funds that are available and to which due acknowledgment has not been given today. Is it right to have a system—

Dr Whiteford: Will the hon. Gentleman give way?

Nick de Bois: I will not give way until I have made some progress. I am sure the hon. Lady will understand that I have been here for many hours, and I am not sure whether there is anything new coming from the Opposition Benches.

Is it right to sustain a scheme that works against employment? No. What do I say to the employer who came to my surgery only last week and told me that people are queuing up for jobs, but they want to work for only a limited number of hours for fear of losing their house? How absurd is that? Whatever the Labour party's good intentions when it was in government, its reforms produced a grotesque situation. What do I say to the people who come to my office and want to work, but are caught in the poverty trap—*[Interruption.]* I am sorry that hon. Members do not want to listen, but week after week in my constituency I see the evidence of a failed policy on my doorstep, and it is absolutely right to represent my constituents' interests not only where

[Nick de Bois]

there has been failure, but where there is an opportunity for success. That is what this Government are trying to do, and rightly so.

What will the changes mean? We are talking about the LHA, not social housing. Rents are high. There has been a 25% increase over seven years in the LHA sector compared with 15% in the private sector. It was interesting when an Opposition Member—forgive me, I cannot remember his constituency—said that the 40% share of the LHA market that the Government are driving is not influencing rents. It is utter nonsense to think that such a massive contribution can have no impact on the level of rents. Opposition Members may deceive themselves if they wish, but I assure them that in the real world that is definitely the case.

Glenda Jackson: Will the hon. Gentleman give way?

Nick de Bois: I will not give way at the moment. I want to finish my speech, but if there is time I will happily take a further intervention later.

A four-bedroom house will allow almost £20,000 of LHA, which is equivalent to a substantial amount of gross income. We talk about fairness, but it must work both ways. Hon. Members should come with me down the Hertford road in my constituency to meet those who are working hard to pay their rent and trying to look after their family on a low income. They should try to understand the frustration of living next door to people who may be living in a bigger house, subsidised by the state. We must bear that in mind when making judgments. We are all in this together, and we must reform and change.

The Labour Government believed that the answer to defeating poverty was to use targets and money—some £20 billion of our money in housing benefit. They rationalised that that was how to fix the problem, but it failed. It did not help; it hindered. Instead of releasing those in poverty and suffering inequality, it imprisoned many in a spiral of unwelcome state dependency. The time has come to change. Our proposals are part of a holistic, joined-up programme.

Caroline Flint: My understanding is that nearly 7,000 people will lose out as a result of the cuts in Enfield. What does the hon. Gentleman have to say to them?

Nick de Bois: The hon. Lady should change the end of the telescope she is looking down. She should look at what she can do to encourage employment and encourage people back to work, and start to take people out of real poverty. That is the contribution that she could make, and I hope that I can welcome her to such a conversion later this evening.

Our proposals are part of a holistic, joined-up programme to reform the Labour party's policy of surrender to dependency to a future of independence free from poverty. I understand that hon. Members do not want to hear that, but they have heard and perhaps they will learn.

Hon. Members: Follow that!

8.15 pm

Mr Chuka Umunna (Streatham) (Lab): Follow that indeed.

I want to pick up on some comments made by the hon. Member for Wolverhampton South West (Paul Uppal) and my hon. Friend the Member for City of Durham (Roberta Blackman-Woods). They referred to the tenor of the national debate on this issue, which I have found deeply worrying, and how our newspapers in particular show unemployed people being divided from employed people, benefit recipients being divided from those who are not claiming benefits.

We saw that division of rich and poor at the weekend with the headlines in some newspapers reflecting announcements from the Department for Work and Pensions. *The Mail on Sunday* said "New IDS blitz on the workshy"; the *News of the World* said "Work gangs for shirkers"; and *The Sunday Telegraph* said "Workshy will have to take unpaid jobs".

Michael Ellis: Will the hon. Gentleman give way?

Mr Umunna: I want to make some progress, but I may give way later.

Today, we read that the Department has released figures showing that every family will have to pay more than £1,500 a year in taxes to fund the housing benefit system. As ever, it seems that a particular section of society has become a target. Has the Treasury released figures to show how much each family in this country loses as a result of tax evasion and avoidance by wealthy individuals and companies? It is extremely important that we do not allow the tactic of divide and rule to succeed.

This is particularly pertinent to my community. The constituency that I represent is diverse not only ethnically but in regard to the socio-economic demographic of the people who live there. I spoke to one of my constituents about these issues last weekend. He and his wife live in one of the more leafy parts of Clapham common, an area known as Abbeville village, and he works for a private equity company. He is undoubtedly in the top 1% of earners. I asked him what he thought about the Government's changes to the housing benefits regime. Given that they will not have a direct impact on him, I was surprised to find that he had strong views about them, and that he was horrified at their likely impact on his community. One of the reasons that he likes living in my constituency is the diverse nature of the streets and the different parts of the area. He said that he did not want to live in a street where all the people were like him. He liked the fact that there were different people living there.

I mention this because it is important to understand that these changes will be an issue not only for people claiming housing benefit but for the community as a whole. Given the impact that the changes will have on my constituents, I do not feel that I am whipping up hysteria or unduly disturbing my community. I am simply looking at the facts. There are 5,470 households in Lambeth that will face huge cuts in housing benefit next year. For example, 1,520 households in two-bed properties in Lambeth will see the contribution to their rent reduced by an average of £25 a week. That is £1,300 a year, and those people simply cannot afford it. The

changes will undoubtedly cause an increase in poverty in my constituency. Shelter is predicting that they will affect many of the claimants who live just above the poverty line, and they will undoubtedly lead to deep anxiety and stress among people who are already struggling to get by.

Bob Russell: Does the hon. Gentleman agree that an unintended consequence of the measures will be that, if people have to spend more of their income on rent, they will have less to spend in local shops and on local services?

Mr Umunna: Absolutely; I would not disagree with the hon. Gentleman.

I have outlined some of the effects on my community that we are able to discern, but there will be others that it is difficult to quantify at the moment. We are going to be faced with people moving from inner London to our part of Lambeth, seeking private rented accommodation.

Pete Wishart (Perth and North Perthshire) (SNP): We know that this is what the Tories do: they attack the poor and the vulnerable. But what about Labour? I could not make out from what the right hon. Member for Paisley and Renfrewshire South (Mr Alexander) said whether Labour was for or against the cap. Does the hon. Gentleman know?

Mr Umunna: If the hon. Gentleman reads the motion, he will see no denial of the need for some degree of housing benefit reform. No doubt my right hon. Friend the Member for Don Valley (Caroline Flint) will give further details in her speech, in addition to the many details that my right hon. Friend the Member for Paisley and Renfrewshire South gave the House earlier.

I was talking about the effects of the measures that we are not yet able to discern. We have 22,000 people on social housing waiting lists in Lambeth, but we have no idea of the number who will seek social private rented housing in our area as a result of the changes. I mention that figure to demonstrate that we are already under huge pressure.

There has been a lot of talk about introducing these measures to reduce the benefits bill, but we are told that rents will inevitably fall as well. London Councils, a cross-party organisation, has carried out a survey of landlords in London. I make no apology for talking about London, by the way; it is my area, and it is where my constituency is based. The survey found that 60% of landlords letting properties to housing benefit tenants in London said that they would not reduce their rents, even by a small amount, to accommodate the changes, and Shelter has found that 43% of such landlords will simply scale back their operations in this sector.

I want to finish by mentioning a matter that I have already raised with the Chancellor of the Exchequer—the proposal to reduce by 10% the housing benefit of jobseeker's allowance recipients who have been receiving JSA for more than 12 months. I challenged the Chancellor about this at a Treasury Committee hearing in July and asked him to provide me with evidence that that measure would produce increased work incentives, given that he said that that was why he was introducing it. Funnily enough, he quoted the Institute for Fiscal Studies back at me. It is funny how the coalition Government choose to ignore the IFS when it tells them things they do not want to hear, only to quote it back at me when they find it helpful.

The Chancellor quoted an IFS report that found that "welfare benefits can have substantial effects on the work behaviour of unskilled and even for men with high school education". Be that as it may, I do not see how there can be an incentive for people to work when there are no jobs for them to go into. In the past few weeks, information from the Chartered Institute of Personnel and Development has shown that 1.6 million people are going to be out of work as a result of the measures being introduced by the Government. We already know that there are five people chasing every vacancy in the economy, and research shows that that figure is not going to fall.

Will the Minister tell us why the Government are seeking to punish people who are doing everything they can to find work? I have asked this question in the Chamber before, but I have not received a reply. There are many people in my constituency who have been on JSA for more than a year—the number generally hovers between 700 and 800—and who are struggling to find work. Why are the Government punishing them when they are already down on their luck? We must resist the divisions that the headlines are seeking to create in our communities. This is an issue for everyone, whether they are on housing benefit or not, and I plead with the Government to reconsider the measure on JSA recipients. As I have said, they are already down on their luck. Why kick them when they are down?

8.24 pm

Andrew Bingham (High Peak) (Con): I am a firm believer—I always have been—that people should be rewarded for hard work. I am also a firm believer that we need housing and other benefits, but that they should be there as safety nets. The willingness of the Labour Government to pay more than £100,000 a year to someone on benefits is not, to me, a safety net. It has to be said that £100,000 is an enormous amount of money, which is sufficient to fund a lifestyle beyond the budget of many hard-working families in my constituency of High Peak. *[Interruption.]* I am sorry, but that has to be wrong; it cannot be right.

Labour Members claim that this is fair. Do they think it fair that, under current arrangements, someone paying rent below the local housing allowance level will be able to receive the local housing allowance and keep the change? People can make a profit on housing benefit. Does that seem fair? Is that fair to someone working hard to pay their way? Labour Members look askance, but it is true.

Glenda Jackson: Will the hon. Gentleman give way?

Andrew Bingham: Briefly, yes.

Glenda Jackson: In my constituency, private landlords are increasingly reluctant to accept tenants who can pay only through housing benefit. For an increasing number of people, there is a shortfall between what the local rent office deems a property to be worth and what the landlord actually charges. Not one single claimant of housing benefit in my constituency—and they number thousands—has money to take home from the local housing allowance. In many instances, they have to make up the shortfall themselves.

Andrew Bingham: That may be the case in the hon. Lady's constituency, but there are examples where people are keeping the money as change. I will pay slight tribute to Labour Members, as they were going to stop that in April next year. Fair do's there. However, that needs to be compared with what the hon. Member for Manchester Central (Tony Lloyd) said, as he spoke about taking money away. I gather that £15 of weekly excess was taken away last year. How do they square that one?

The £20,000 to £21,000 cap on housing benefit is fair. Some people have claimed that that amount is too much, but I think it is about right. I also think that setting the local housing allowance at the 30th percentile point is fair. It means that people on housing benefit can afford three out of 10 rental properties.

From experience, however, I would like to sound a small note of caution about broad market rental areas. The determination and review of BMRAs must be done with great care. The Rent Service looked at the BMRA in my constituency. Glossop was covered as well, but because of the determination and conditions, there was a detrimental impact on some residents in my constituency. This issue was raised by my hon. Friends the Members for Cardiff Central (Jenny Willott) and for North East Hertfordshire (Mr Heald), and it is a slight concern of mine. One thing that came out of the Rent Service review was the Heffernan case, which went to the House of Lords—some Members may be aware of it, some not. It caused a long delay—hence my note of caution.

The increase in the discretionary housing allowance has not been much mentioned. It is increasing by £10 million next year, £40 million a year from 2012 to 2015, and £60 million a year from 2013-14. This is a huge amount. The DHA was used to deal with the difficulties of the BMRA in High Peak a couple of years ago.

The reform of housing benefit is long overdue. At present, we spend more on it than on the Army and Navy combined. It is right to offer people support when they need it, and it is right that the extra money is available through the discretionary housing allowance.

Caroline Flint *rose—*

Andrew Bridgen *rose—*

Andrew Bingham: I will not give way, as I have nearly finished and many others are waiting to speak. *[Interruption.]* I can talk as long as anyone wants, but I am conscious that some Members have been in their places a long time and are waiting to speak.

It is wrong that hard-working families in my constituency and others who are living within tight budgets—

Caroline Flint *rose—*

Andrew Bingham: Oh, go on. I will let the right hon. Lady have a go.

Caroline Flint: The hon. Gentleman welcomes the announcement of a rise in the amount provided for the discretionary housing allowance. How would he feel if those payments were paid to the landlords of the very occupiers of homes that the coalition Government have demonised by letting them stay in houses that cost so much money? What does he feel about that?

Andrew Bingham: Excuse me, but I do not like the word "demonised" any more than I like "punished" or "cleansing". I do not like the language used by Opposition Members.

Andrew Bridgen: Will my hon. Friend give way?

Andrew Bingham: Yes, for the last time.

Andrew Bridgen: Does my hon. Friend believe that the increase in the housing benefit budget from £14 billion to £20 billion in the past five years is a sign of the success or the failure of the last Government's policies?

Andrew Bingham: I think that "abject failure" is probably a better phrase.

I end by saying that it is wrong for families who work hard to see families on benefit living in houses that are beyond their wildest dreams.

8.30 pm

Glenda Jackson (Hampstead and Kilburn) (Lab): I was interested by what the hon. Member for High Peak (Andrew Bingham) said. I think that it had something to do with hard-working families and the impact of the present housing benefit system on people who wish to work hard. I was reminded of the first Thatcherite regime, when the hon. Gentleman's party deemed a living wage to be 75p an hour. I also remember that during our term in government, his party voted against every single move to take people out of poverty, including the national minimum wage.

The most interesting thing to emerge from today's debate is the fact that Government Members have swallowed hook, line and sinker the myths that were originally used in the proselytising of their Prime Minister, who stood on the Floor of the House and castigated housing benefit for paying people £1,000 and £2,000 a week. He attempted to present that as the median for people claiming the benefit, and I was so intrigued that I tabled a question on the issue. There are, in fact, no claimants receiving £2,000 a week, and there are precisely 90 families, in London exclusively, whose housing benefit pays them rent of £1,000 a week, because those are extremely large families.

The myth with which the Government have been successful in their proselytising is that most people on housing benefit live in four-bedroom properties. Nothing could be further from the truth. Most people on housing benefit live in shared accommodation or in one or two-bedroom properties. In my constituency, the amounts that those claimants will lose range from £21 a week for those in shared rooms to £246 a week for those who are fortunate enough to live in four-bedroom properties.

Fiona O'Donnell (East Lothian) (Lab): The 10 families in my constituency who live in five-bedroom properties do so not because they have dressing rooms or extra en suites, but because of the nature of families nowadays. A mother and a father may bring in children from previous relationships. Government Members do not seem to be able to grasp that.

Glenda Jackson: That is a salient point, which can be replicated in my constituency. I know of a family with two children who are severely disabled and in wheelchairs,

and two who are not so severely disabled. There are also a mother, a father and a grandmother, and they are all attempting to live in a four-bedroom property.

The other myth that has been propounded by Government Members today is that these changes are essentially fair. I distinctly remember the Prime Minister and the Deputy Prime Minister—who has proved himself to be the Maréchal Pétain of his generation—saying that the changes were not only fair, but made at a time when the Government were having to make extremely difficult choices to protect the most vulnerable members of our society. Throughout the afternoon, it has been clear that Government Members do not regard pensioners as vulnerable. Nor, apparently, do they regard them as being taxpayers. They do not regard people with disabilities as being vulnerable, and they do not regard people on low pay as actually working.

What I say about my constituency and my city of London is not scaremongering. We have been here before. As I said, some of us remember the Thatcherite regime, when people were forced out of their homes and some were sleeping on the streets because they could not afford to find anywhere to live. The bills for bed-and-breakfast accommodation were astronomical. I am sure that Government Members are smiling at that memory, because that, essentially, is what they wish to do.

Anas Sarwar (Glasgow Central) (Lab): Will my hon. Friend give way?

Glenda Jackson: Let me finish the point. Government Members wish to get rid of social housing completely.

Anas Sarwar: I thank my hon. Friend for giving way, and I promise not to annoy her again. I just want to highlight the fact that Government Members are finding much of this funny. They like to portray this issue as being about workshy or unemployed people taking benefit from hard-working taxpayers across the country. Is it not true that only one in eight people who receive housing benefit are unemployed? Government Members should take this debate more seriously.

Glenda Jackson: My hon. Friend is wishing for the moon. Government Members are not interested in facts; they discount absolutely everything that emanates from this side of the House.

Andrew Bingham: Will the hon. Lady give way?

Glenda Jackson: No.

Government Members also discount the briefings that we have all received, from organisations such as Shelter, Crisis, the Chartered Institute of Housing, Citizens Advice and the National Housing Federation, about the real danger and damage that these ill-thought-out plans are going to inflict on some of the most vulnerable people in our society.

We have been here before. We have seen all this before. An earlier submission by Crisis pointed out that it will cost £60 a day for a room in a bed and breakfast. Let us look back to the earlier history of bed and breakfasts. The hon. Member for Colchester (Bob Russell) referred to the history of 1945; I was somewhat surprised that he did not take us back to the much more recent history of what happened to people in this country under the first Thatcherite regime. The hon. Gentleman was concerned about children then—

Kwasi Kwarteng: Will the hon. Lady give way?

Glenda Jackson: No.

I was somewhat surprised that the hon. Member for Colchester is not concerned about children this time. As he knows, the greatest damage inflicted on children was when they were stuck in those abominable bed-and-breakfast set-ups. Not infrequently, families were turned out on to the street at 9 o'clock in the morning and not allowed to return until 5 o'clock in the evening.

This, apparently, is the coalition Government's way of taking people out of poverty. I find it totally incongruous that they should believe that they will take people out of poverty by making them homeless. That, essentially, is what they are going to do.

Kwasi Kwarteng: I am much obliged to the hon. Lady for giving way. We have sat through her speech with varying degrees of incredulity. While we admire her histrionic performance, we are still at a loss as to what her position is on the cap. Does she think it is right that in her—*[Interruption.]* I am fully entitled to ask the hon. Lady a specific question about her view on the cap. There are people in her constituency who are receiving far more than £20,000 a year on housing benefit.

Glenda Jackson: If the hon. Gentleman had been here from the beginning of this debate, he would not have been as ill informed as he is ill mannered. There are not people in my constituency claiming housing benefit at that rate, as I have had occasion to say. The majority of housing benefit claimants live in one and two-bedroom properties. We have already said that we would certainly introduce a cap, but not by the method that his Government propose. There should be a regional element.

Steve Webb *indicated dissent.*

Glenda Jackson: From a sedentary position, the Minister is waving his hands in disbelief. This afternoon he was leaping to the Dispatch Box asking questions about what my party would have done if we had been in government. He knows, and I know, that if my party had been in government and his party had still been in opposition, and we had introduced the policies that he is supporting now, he would have fought them tooth and nail.

The Minister has absolutely no cover any more. As I have had occasion to say before in the House, his party has become the "30 pieces of silver" party, and nowhere is that more marked than in what it is proposing to do to some of the most vulnerable people in all our constituencies. I say to Government Members that the problem is not exclusively London's; this will affect the whole country. When the second tranche of the Government's approach to social housing comes in—the increase of rents to at least 80% and the removal of secure tenancies—the impact will run and run.

Michael Ellis: Are not hard-working people on low incomes also vulnerable, and do they not also need to be treated fairly by our society, as opposed to those on whom so many of the hon. Lady's Opposition colleagues focus—people on housing benefit who are receiving more from the taxpayer than many of the working poor could dream of paying for themselves?

Glenda Jackson: I am intrigued to know how the hon. Gentleman thinks it will benefit low-paid hard-working families who are not claiming housing benefit if we make low-paid hard-working families who are on housing benefit both unemployed and homeless. They will then have to move from where they are currently living—and, I hasten to add, where they provide services that the hon. Gentleman and his hon. Friends would never dream of providing for themselves. We are all dependent on those services, and on the people who provide them. I know the hon. Gentleman and his colleagues do not like it, but when that happens in the centre of London we are going to see—

Mr Deputy Speaker (Mr Nigel Evans): Order. Time is up. I call Bob Blackman.

8.41 pm

Bob Blackman (Harrow East) (Con): Thank you, Mr Deputy Speaker, and I think I am right in also wishing you a happy birthday for tomorrow. I also wish to say that it is a privilege and an honour to follow the hon. Member for Hampstead and Kilburn (Glenda Jackson).

We cannot divorce housing benefit from the plethora of other benefits that have been allowed to build up over the last 13 years: jobseeker's allowance, employment and support allowance, income support, and also council tax benefit, child tax credit and working tax credit. Contributory benefits and universal benefits will all play a part in resolving this country's benefits problem.

These benefits are a bureaucratic nightmare. They are mainly paper based, and enormous amounts of evidence are required to justify their application. As a consequence, many individuals who claim benefits have to go to Jobcentre Plus, the pensions authority, the disability and carers service, their local authority and Her Majesty's Revenue and Customs. If they are on jobseeker's allowance they may have to swap between that and incapacity benefit, claiming the money from the same agency yet having to claim again. Clearly therefore, what we have inherited will be a nightmare to resolve. Housing benefits impinge on all those other benefits, and I have said before that housing benefit is a very bad benefit, because it is so complicated to administer.

Let us look at what has happened over the last 10 years. I will not repeat the figures for the increase in the total budget, but we should note that it costs £1 billion to administer that budget. For most local authorities in the country it is the biggest single item of expenditure going through their books. We are using it as a form of housing subsidy. That is right and justified, but the extent to which the costs have built up and been allowed to spiral is completely wrong. The one thing I agree with the Opposition about is the need to reform housing benefit, yet for 13 years they ran this country but did not reform it. Instead they made it worse. Now we have inherited that situation and we, as the new Government, must deal with it.

What must we do to reform it? First, we must look at the costs involved in housing benefits. As we have said, this is the first stage in simplifying the country's benefit system, making it more effective, reasonable and transparent, and changing it into a system that encourages people to go to work. In my constituency people frequently say to me, "I can't get a house for love nor money." The advice given to them by the local authority is, "We can't provide you with a council house, but what we can do is this: you go into private sector rental accommodation, and housing benefit will pay for it." If people in that situation follow that advice but then have the temerity to get a job, they lose housing benefit pound for pound, which is, of course, an immediate disincentive to getting a job. What we have to do is make sure that any reform of the whole housing benefit regime transforms it so that work always pays.

Ms Buck: I am asking this for about the fourth time this evening. Does the hon. Gentleman concede that half of all local housing allowance claimants of working age in private rented accommodation are either in work or connected to the labour market through jobseeker's allowance?

Bob Blackman: I will repeat the mantra that my hon. Friends have repeated, which is that 13% are in work and the rest are on JSA. The LHA has distorted the market even more, as my hon. Friends have said, by making it more beneficial in certain instances for people to be on housing benefit and pocket the difference. What nonsense! Rent levels have been distorted in many parts of the country.

The Opposition are claiming that the modest reforms being introduced will mean people being thrown out of their houses and suddenly being cleansed out of all proportion, but what will happen is exactly what is happening in the borough of which my constituency is a part. Its housing director has said that 3,040 families will be affected by the change, and the borough will seek to ensure that the rents fall and adjust to the levels of housing benefit that are applicable—although that still distorts the housing market. Some 3,000 properties out of more than 100,000 in the borough will be affected, so this involves a small percentage of people.

When I challenged the housing director to tell me what he would do about the families who might, sadly, lose their houses as a result of this change, the figure came down from 3,040 to 80. I have great sympathy for the 80 families who could be in that position, so I then challenged the housing director to tell me what he would do about it. My authority will do what every local authority in this country should do, which is challenge the landlords to reduce their rents so that those people are not made homeless.

Phil Wilson: How can the hon. Gentleman expect private landlords to reduce their rents when for every one person on LHA wanting a property, five to 10 people in work are looking for the same property? Who are private landlords going to go for? They are going to go for the person in work.

Bob Blackman: I thank the hon. Gentleman for his intervention, which leads on to the other key issue in this debate: the supply of housing in this country. That point is not really being answered by the Opposition. The Labour party had every opportunity to build houses over the past 13 years, but it failed to do so. At the same time, it failed to take account of the fact that this country's population is increasing, so the need for housing increases all the time. We have a market for housing and

housing benefit distorts it directly, which is why it is a bad benefit in desperate need of reform. One of the reforms that must take place is a change to the way in which housing benefit is withdrawn from people as they get work. At the moment that is a direct disincentive for people at a certain level to work, because they lose benefit pound for pound. Why should someone work if that is the position?

Fiona O'Donnell: Does the hon. Gentleman not realise that what this means for housing associations, on which we are going to rely to build homes, is that their cash flow will be interrupted, they will have debts and there will be an adverse impact on their ability to borrow to build those homes?

Bob Blackman: I thank the hon. Lady for her intervention. The housing associations throughout this country seek changes of tenure, changes of regime and an encouragement to develop the housing that this country desperately needs in every local authority area. I trust that that is what will happen. The coalition Government have set out their stall: we will build 150,000 new homes during the life of this Government. We agree that that is not enough, and we would like to see more. What we want to see is young people getting a foot on the housing ladder, moving out of rented accommodation and purchasing their own property. What has to change is that the applicable lending regimes of the banks, building societies and suchlike must enable people to get on the property ladder.

Rosie Cooper (West Lancashire) (Lab): Will the hon. Gentleman comment on my local authority, West Lancashire borough council? It wanted to build a new civic centre, and in so doing said that it would build affordable houses and in the process knock down four good homes. While he is speaking about that—

Mr Deputy Speaker (Mr Nigel Evans): Order. I call Bob Blackman, who has four seconds left.

Bob Blackman: Very simply, I welcome its proposition—

Mr Deputy Speaker: Order.

8.50 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to follow the hon. Member for Harrow East (Bob Blackman) and his "Just a Minute" remarks at the end—well done.

This is a Government in a hurry. We can all understand their sense of urgency and their desire to get on with the job. In many ways, that is creditable and commendable. However, the reality is that the plans for reforming housing benefit are ill thought out and ill considered. Only fools rush in—they rush in and make matters worse, and they gamble recklessly with people's lives and livelihoods. In the Secretary of State's speech at the beginning of the debate, it was unfortunate that he was unable to give any confidence to people who are worried and concerned about these issues. As my hon. Friend the Member for Manchester Central (Tony Lloyd) said, he did not allay the fears of constituents up and down the country.

As those of us who have sat through the whole debate have heard this afternoon, there has been cross-party consensus in favour of reforming housing benefit. That is clearly embedded in the motion. There is no use anyone's shaking their head—it is there and it is on the Order Paper.

Kwasi Kwarteng: If there is the consensus that the hon. Gentleman talks about, does he have any idea why the previous Government did not address the problem in the 13 years that they were in government?

Nic Dakin: The previous Government made changes to housing benefit. As recently as a few months ago, the former Chancellor moved to change how rent entitlements were calculated so that big increases in house prices at the very top of the market no longer skewed spending on housing benefit. Things were in train, but they continue to need to be addressed. We could have a cross-party reform process that engages with all those who have expertise in this area, from Shelter to the National Landlords Association. Instead, there is a danger that the headlong rush into this basket of ill-thought-out proposals will threaten the fabric of our communities.

A key reason that the housing benefit bill has gone up is the lack of affordable housing in certain parts of the country, particularly London and the south-east, which has been exacerbated by the economic downturn, as people lost their jobs or reduced their working hours and needed the support available from housing benefit to prevent them from becoming homeless. The Rugg review of the private rented sector points out a possible way of addressing those issues. Those proposals, combined with real investment in more affordable housing, offer an alternative way forward. Unfortunately, the Government's cuts to the housing budget and their squeeze on local authorities mean that it is unlikely that much new social housing will be built before 2015 other than that already commissioned by the outgoing Labour Government.

Comments by the Deputy Prime Minister and other Government Members show that they signally fail to understand how housing benefit helps people to stay in work. Only one in eight of all housing benefit claimants are unemployed, as my hon. Friend the Member for City of Durham (Roberta Blackman-Woods) pointed out. If we take just those in receipt of LHA across the country, 26% are in employment and only 19% claim jobseeker's allowance. The rest include pensioners, carers and disabled people who are unable to work. My hon. Friend the Member for Hampstead and Kilburn (Glenda Jackson) excellently exploded the various myths about housing benefit and housing benefit claimants.

The proposal to use the 30th percentile of local rents, rather than the median, to calculate LHA will have a wide-ranging and negative impact. More than 750,000 people will lose out as a result. They are people on low incomes who, the Government will say, can live on lower incomes. According to Shelter, Crisis, the Chartered Institute of Housing and Citizens Advice, the most brutal of all the housing benefit changes is the proposal to uprate LHA according to the consumer prices index, rather than local rents, as currently happens. If this change goes ahead, it will cause great distress.

Independent research by the university of Cambridge suggests that the cuts will push an additional 84,000 households below £100 per week per couple for all expenses after housing costs. Those households include 54,000 children. I recognise the concerns of the hon.

[Nic Dakin]

Member for Colchester (Bob Russell) that the proposals may well end up increasing the number of children living in poverty. None of us in the House would want that to happen, I am sure.

The proposal in the universal credit idea to unify benefit tapers and make the system simpler have much merit, but the proposed changes to housing benefit in advance of the introduction of the universal credit will severely undermine the goal within it. Some will be forced to give up employment because they can no longer live within commutable distance. Some will be forced to move away from friends or family who provide child care or support.

The proposal to cut housing benefit by 10% for those on jobseeker's allowance for more than 12 months seems dreadfully punitive. If the claimant has striven ceaselessly for 12 months to get a job but been unsuccessful, they are penalised for their misfortune. That is the world of Gradgrind and has no place in a modern civilised economy. Shelter, Crisis, the Chartered Institute of Housing, Citizens Advice and Mencap are just some of the range of organisations warning of the dire consequences that might occur if the proposals go ahead unamended. The Archbishop of Canterbury has expressed serious concerns that

> "People who are struggling to find work and struggling to find a secure future are . . . driven further into a sort of downward spiral of uncertainty, even despair, when the pressure is on in this way."

This Government are proud to say that they are listening to people's concerns and will govern according to the new politics. The proposals represent a challenge to them to listen to those who know what they are talking about, and to those who make things happen on the ground and work with people day in, day out on such issues. The Government should step back from helter-skelter decision making and from a reckless gamble with people's lives and livelihoods.

8.57 pm

Tessa Munt (Wells) (LD): I shall raise three quick structural points, which I hope the Minister will consider in his response and in his proposals going forward.

I come from rural Somerset, where house prices are high. There has been a great rise in house prices over the past 10 years, but people still have low incomes. The average income is £18,500 and many of the workers are part-time workers, with many jobs which they tack together, and seasonal workers.

I have three questions. First, once the existing housing is rented out, will the Government give housing associations the flexibility to build brand-new homes and let them out at the traditional social rents, or will all the new homes have to be charged at 80% of the market rent, which is high? The problem for tenants in my constituency is that they have very little capacity to save money towards their own housing, as such a large proportion of their income goes on housing costs.

The next two points are similar to those raised by the hon. Member for Hampstead and Kilburn (Glenda Jackson). Can the Minister clarify the situation for tenants who have mental health issues? There are two gentlemen in my constituency who use private rented accommodation. Because of their age—they are in their early 30s—they may be asked to move into shared accommodation. Will they be able to access that discretionary housing allowance? Those payments would ensure that they were able to remain in their existing housing, rather than having to move out for a year, two years or three years and into shared accommodation, such as a flat. I want to ensure that they are protected in some way against the disruption of a move, particularly when that might be extremely detrimental to their mental health.

My third point is about the alarming and increasing practice in one district council area of my constituency, where homes that have a dining room are classified as having an extra bedroom. Therefore, a three-bedroom house with a dining room becomes a four-bedroom house, a four-bedroom house becomes a five, a five-bedroom becomes a six, and so on. As a result, families, who are the only ones able to obtain such housing, end up with no living space. People normally retreat to their bedroom if that is the only space that they have in the house, but such a loss of family space is extremely detrimental. That of course has a subsequent impact on the private rented market, because the example that the local authority sets becomes custom and practice throughout the housing sector in my area.

9.1 pm

John McDonnell (Hayes and Harlington) (Lab): This debate has been enlightening in many respects thanks to Members on both sides of the House. I shall not be repetitious; I shall just concentrate on putting on the record the plight of my constituents and the implications of the policy for them. It will at least give me some peace of mind that someone has spoken up for them.

Like every other Member, I have a weekly advice surgery—about twice a week at the moment. We have an open-door policy at the office, and we are swamped with casework, as many Members are. Half my casework is housing-related, and my surgery is the most distressing part of my week, as I am sure the surgery is for many Members are. It is heart-rending.

Families, who come with their children, are living in appalling housing conditions: overcrowded, sleeping three or four to a room and often, as the hon. Member for Wells (Tessa Munt) said, using their living rooms and other parts of the accommodation as bedrooms. They live in unsanitary conditions, lacking heat and hot water, and often their premises are damp. They live a nomadic life in my constituency, with 12 to 18-month accommodation licences, and their children move from school to school, disrupting their education.

We have not seen a housing crisis on this scale since the second world war. In the borough, I have 1,500 to 2,000 families and more who are homeless at any point in time. The reason for that has been mentioned—the hon. Member for Colchester (Bob Russell) referred to it—and it is that the bulk of our council housing stock has been sold off. Little council housing has been built in 30 years, under both Governments, and the buy-to-let landlords have moved in to provide the accommodation. They fail in many instances to maintain the properties, and we also have Rachmanite landlords who abuse their tenants. They are profiteering from the housing shortage with high rents and, of course, through housing benefit.

but I find it ironic that in this debate Members on one side of the House seem to be blaming the tenants and housing benefit for high rents, not the landlords themselves, who charge those high rents and exploit the benefits system.

Many families in my area already struggle to pay the rent, and many already make up the gap between benefits and rents. They receive some discretionary payments from the council, but they are few and far between, and the families get into debt and fall back on loan sharks. As a result, they often fall into rent arrears, get evicted and then become classified as intentionally homeless. We can see how people can get caught in a cycle of deprivation.

The new proposals will exacerbate the nightmare that many of my constituents already face. Some 3,000 families will lose out on anything between £6 and £27 a week. The London Councils survey, which has been quoted extensively, demonstrates that a large number of landlords have stated that they will evict families if the gap in rent is more than £20. Many families in my constituency will be evicted, and they are already rushed through eviction as it is. That means that there will be an increase in homelessness in my area and it will be extremely difficult to find accommodation. I already have families moving out of the area on different schemes who find it very difficult to find work elsewhere and then desperately seek to come back to be close to their family members.

The results of these proposals—I want to put this on record for my constituents—will be an increase in poverty, immense stress, and immense distress for many people, particularly at a time when unemployment is rising in my constituency, as it is across the country. I do not believe that cuts in benefits are the answer, or that people are incentivised to find work by poverty or by homelessness—in fact, it pushes them back into further depths of despair.

There is an alternative proposal for which many in this House have argued for a number of years. First, it is about building council homes again, and getting back to investing on a scale that meets the needs of our population. That means an element of redistribution of wealth and ensuring that people pay their taxes, particularly the corporations, so we must tackle tax avoidance and evasion. I believe that we need an emergency programme of house building to tackle the homelessness that we now have, particularly in London and the south-east.

Secondly, there should be rent controls. If benefits are high because rents are high, there is a simple solution that applies in many parts of Europe, where people have controlled the rents and thereby stopped the exploitation by landlords.

Thirdly, in areas such as mine we need a more radical solution to the level of homelessness. We should allow councils compulsorily to purchase empty properties so that we can put families into them. I find it a disgrace that a house will stand empty for a long period. Some 300,000 properties are empty for more than six months, while people are on the streets or living in housing deprivation. We have a housing crisis on our hands, and we need an emergency programme to tackle it.

I certainly do not believe that cuts in benefits will go any way towards tackling this problem—in fact, that approach will cause more homelessness, put more people into deprivation, and cause immense human suffering in our society. That is why I support the motion, and why I will do everything I possibly can in this House, in demonstrations, and in direct action on the streets to oppose these housing benefit proposals.

9.7 pm

Yasmin Qureshi (Bolton South East) (Lab): Thank you, Mr Deputy Speaker, for giving me the opportunity to speak in this debate. I want to support my party's motion on the housing benefit cuts. We have heard contributions from many Members. I concur with everything that Opposition Members said, and there have been notable exceptions among Government Members. I will not try to repeat everything that has been said, but I would like to flag up three issues that have arisen regarding the Government's reasons for wishing to introduce these housing benefit cuts.

First, there is the fallacy that the cuts need to be made because of the deficit. Yes, everybody agrees that cuts need to be made in different areas of Government activity and public services to balance the books. However, it is always said that because a Labour Government were in power, we somehow caused the deficit and the financial crisis, when everyone knows that that is not true. Up until 2008, the Government parties supported the public expenditure projects that we brought about in the past 13 years, such as the beautiful hospitals, the schools, and all the building work that had been carried out to improve the country's infrastructure. Most of the money was spent on that. We created jobs and regenerated the economy. In 1997, when we came into government, we inherited a complete mess, with unemployment and interest rates at record levels, so let us not have any lectures from the Conservatives about financial mismanagement.

Secondly, it has been said that Labour was in power for 13 years and did not do enough about housing. I accept that my party could have done a bit more on building new houses. However, we tried to help vulnerable people by bringing 1.5 million social homes up to a decent standard. Those were homes that were substandard when the Conservatives were in power. We fitted 700,000 new kitchens, 525,000 new bathrooms and more than 1 million new central heating systems. Yes, it cost billions, and I remember the then Opposition begrudging it, but it made life better for the people who had lived in substandard houses. At the same time, it regenerated the economy and provided jobs. We will not take any lectures from Conservative Members who tell us that we did not do enough.

Mrs Mary Glindon (North Tyneside) (Lab): Does my hon. Friend think it is a disgrace that the Conservative mayor of North Tyneside, when she was leader of the council, wrote to the then Housing Minister to oppose £104 million being given to North Tyneside for homes for older people? When she came to power, she also resisted money for building 800 council houses in the area. How can we trust the Tories on council housing?

Yasmin Qureshi: I thank my hon. Friend for that helpful intervention.

Even in the face of recession, my party supported home owners to stay in their homes. Because of our actions, the current repossession rate is half that of the

[Yasmin Qureshi]

last recession of the early 1990s, preventing about 300,000 families from losing their homes. In 2004, local authorities met Labour's target that no family should be in bed-and-breakfast accommodation for more than six weeks. When we prepared to tackle the issue in 2002, up to 4,000 families were housed in such accommodation. Conservative Members say, "Well, you didn't do enough", but we did a great deal for people who were in substandard housing. About 55,000 affordable houses were also built.

I turn to the cuts themselves. The Government say that they have to be made to reduce costs, but contrary to the Secretary of State's assertion that Labour Members are scaremongering and coming up with facts and figures that are not borne out, it is Shelter that has stated that £120 million more will have to be spent on families who are made homeless as a result of the cuts. It is not Labour party members or MPs who have said that.

The cuts will cause big cities such as London to become like Paris. I know that the Secretary of State said that that was another piece of scaremongering, but it is not. There will be dispersal—we all now accept that word, as we know that people do not want to use the word "cleansing". It will inevitably follow the cuts that if someone lives in what is considered to be an expensive part of town, where rents and rates are higher, after the cuts they will have to move out of their accommodation. That will effect social engineering, because only well-off people will be able to live in good areas of big cities. It will basically get rid of poorer people to the outer margins of the big cities and towns, into the poorer areas.

Pete Wishart: The hon. Lady seems to be suggesting that she is against any cap on housing benefit. I am with her on that one, but can she persuade her Front Benchers to come with us? I still do not know what the Labour party policy is on a housing benefit cap. Does she have any clearer understanding of that?

Yasmin Qureshi: I understand what the hon. Gentleman says, but I am talking only about how the change will affect my constituents.

Of course, the increase in rents and rates is not the result of people choosing to live in expensive areas. We have to remember that many people have been living in their areas for the past 20, 30 or 40 years. It is not their fault that over the years house prices and rents have gone up. That does not mean that they should be sent 60 or 100 miles away where they have no family, relatives or friends and be completely disconnected from their community.

Shelter has stated that the Government have not examined the impact of the proposals on many claimant households that will be shifted from around or just below the 60% median income line into severe poverty. The proposals will push an additional 84,000 households below £100 a week per couple, and those households include 54,000 children.

Cutting the local housing allowance to the 30th percentile means that 700,000 of the poorest people, who are both in work and out of work, will be at least £9 a week worse off.

Kwasi Kwarteng *rose—*

Yasmin Qureshi: I promise to allow the hon. Gentleman to intervene in a moment.

On average, the impact of the local housing allowance on my constituency of Bolton South East will be £52 per month for a two-bedroom flat, with an average loss of £39 on properties that have more than two bedrooms. That may not seem like a vast amount of money to some hon. Members here—

Mr Deputy Speaker: Order.

9.15 pm

Mr David Lammy (Tottenham) (Lab): I hope that all of us across the House can agree that the best kind of community is a mixed community—a community of young people, old people, people on middle incomes and people on large incomes; a community that is ethnically diverse. That is why, when we think about the proposals in relation to London, hon. Members have described them as something akin to what we have seen in Paris. Most London MPs will recognise that those claiming housing benefit in London largely come from the ethnic minorities. They are families from Somalia, Turkey and Africa. I am deeply concerned that the Secretary of State has not yet produced an equality impact assessment of how the proposals will affect those families. He should be able to tell us that the effects of his proposals are not discriminatory, but he cannot do that. He should also be able to tell us how they impact on women and disabled people, but he is not able to do that.

There is a real concern that the proposals will drive people from central London to outer London. My constituency has some of the highest homelessness figures in London. We have 19,000 people on the housing register and 5,000 people in temporary accommodation.

Members on both sides of the House agree that we have not built enough affordable housing. In the past year in London, under the leadership of Boris Johnson, the Mayor of London, many local authorities failed in that regard, and overwhelmingly they were Conservative. I have the list: 83 affordable homes built in the London borough of Kingston-upon-Thames; 100 built in Kensington and Chelsea; and 200 in Westminster. Given such a backdrop, an exodus from inner London to outer London will exacerbate the problem.

My father arrived in this country in 1956. Like most other West Indian immigrants at the time, he lived in a doss house. This was a London that was still experiencing the effects of the war; there was a shortage of houses and money. Many immigrants huddled together in bedsits. My father lived with four others in a small bedsit in Finsbury Park. He often talked about how he had to huddle around a paraffin heater because of the cold.

I am concerned that these proposals will lead to even more excessive overcrowding in London. I warn the Minister that what we saw in Paris was serious social unrest as a consequence of overcrowding. That is why it is unacceptable to hear the rhetoric about social cleansing, but not to produce an assessment of the effect of the Government's proposals, which is now a statutory duty as a result of the previous Labour Government.

There is a caricature of the fecklessness that leads people into this situation. Londoners will find themselves in this situation largely for two reasons. The first is that house prices have gone up. For my constituents, they have gone up by over half in the past 10 years. A person needs to be earning £60,000 a year to afford a house in the London borough of Haringey, which is way beyond the reach of most people. Secondly, it is not to say that people are on welfare and that welfare is bad, as was said by one Government Member. Welfare is a safety net for people on low incomes. These are the people who will clean the Chamber long after we have left tonight, and these are the people whom we are letting down as a result of these proposals.

So of course we stand against this motion—[Hon. Members: "For!"] I mean we stand for the motion because of the paucity of evidence backing up the Government's proposals. Given that the Minister has aligned against him senior members of the Church in this country and given the deep concerns in the city of London and, as we have heard, elsewhere in the country among ordinary, hard-working people, including the 2 million pensioners who rely on housing benefit, he should think again.

9.21 pm

Jim Shannon (Strangford) (DUP): I want to make some constructive comments, and I hope that the Minister will take on board some of the issues I raise. I will ask some questions from a Northern Ireland perspective, because the housing benefit changes will affect us as well—we cannot divorce ourselves or walk away from them.

I should set the scene, because Northern Ireland has some very particular circumstances: the Department for Social Development has responsibility for social security benefits, and the Department for Employment and Learning has responsibility for training and employment programmes, in contrast with the rest of the United Kingdom and the Department for Work and Pensions. DEL has significant differences with its steps to work programme, as against the job guarantee fund here. There are issues to be clarified, therefore, and I want to ensure that the changes in benefits will not impact adversely on the people of Northern Ireland.

Northern Ireland has had the local housing allowance since 2008, but it has not been formally assessed. I had hoped that it would be, because it would have given us an idea of how successful it has been. I am concerned, however, that the proposed changes to the allowance lack a firm evidential base. Will the Minister comment on that? I think that the proposals will adversely affect recipients in Northern Ireland.

I am gravely concerned about the Budget plans to reduce the initial award of the benefit by 10% in April 2013 to those claimants who have been receiving jobseeker's allowance for longer than 12 months. I make that comment because the unemployment rate in Northern Ireland between April and June was 6.6%. Worse still, the working-age employment rate remained well below the UK average, and was the lowest of all the 12 UK regions. The changes put forward tonight will adversely affect the people of Northern Ireland because of our position in relation to benefits.

I have concerns about the introduction of a measure that utilises sanctions that are neither helpful nor beneficial. The proposal appears to be based on the assumption that a reduction in housing benefit will motivate working-age claimants to find work, but it is clear that even if every working-age claimant was so motivated, there would still be significant numbers of long-term unemployed people in Northern Ireland beyond 2013. Perhaps the Minister will comment on that. We have to find a balance. How do we distinguish between those who are genuinely seeking employment and those who perhaps are not?

I mentioned earlier that the focus of housing benefit has to be on providing low-income families with access to good-quality housing. The housing benefit cap rates may have a knock-on effect on the social housing sector, as private rented accommodation becomes harder to access for those on low incomes and the demand for social housing increases. A great many people are in a Catch-22 situation: they do not have enough money to rent a house privately, yet there is not enough social housing for them.

Sammy Wilson (East Antrim) (DUP): My hon. Friend makes an important point, but does he accept that in the absence of cap rates—or, sometimes, where the rates are fairly generous—private sector rents become inflated? Landlords simply look at what the rate is, and if it goes up they put their rents up. It is almost like a perpetual cycle: the rates go up, so rents go up, and then the rates are pushed up again, and the only people who gain are the landlords.

Jim Shannon: I thank my hon. Friend for his information, which is helpful in focusing attention on what we are trying to aim for.

Members have mentioned fuel poverty. One of the spin-offs of losing housing benefit will be fuel poverty. In my former position, I sat as a Member of the Northern Ireland Assembly. One of the inquiries that we undertook was on child poverty. Fuel poverty and housing benefit both came up in that inquiry into child poverty, but all those things were part of the jigsaw of how people survive. Take away one part of it and we have a problem. I have some concern about that.

One Member mentioned the discretionary housing payment, and I would certainly be keen to find out from the Minister what he intends to do if the pool of funding that is set aside runs out. He said that it was impossible to separate housing benefit from housing and social development policy in general, and there are some examples of that in Northern Ireland where housing has been designed to bring mixed communities together, such as in Loughbrickland in County Down and Ballynafeigh in south Belfast, which are also examples of how we have moved forward. I would like to express some concern over the removal of housing benefit from people where it will drive them towards poorer areas. For some people who are already in poorer areas, they will not move beyond them, and I have concerns about that.

I am conscious of the time, but another concern of mine relates to applications by carers for disabled people—I do not think that the issue has been mentioned fully yet, although some Members may have partially touched on it. A carer for a disabled person might want to apply, but the only person who can do so is the claimant's

[Jim Shannon]

spouse or partner. Would it not be more beneficial to ensure that the rest of the family members, who are perhaps those who are more affected, may also apply? I look forward to hearing the Minister's response to that. I also believe that some consideration needs to be given to single parents who have shared custody of children. I am not sure whether that issue has been addressed, so I would ask the Minister to look at that, too. Where custody is established, benefit entitlements should be granted to the parent to support the family unit. I do not believe that the proposals do that. Again, I ask the Minister to consider that point.

Other Members have touched on the issue of large families. It would not apply so much in the area that I represent, but I believe that it none the less applies right across the United Kingdom. Has particular consideration been given to ethnic families in other parts of the United Kingdom, where larger, multi-generational households are perhaps more common? I ask the Minister to consider that as well. There should be more innovative and positive incentives, which are far more preferable in making housing benefit entitlement reflect family size in the social rented sector from 2013. The Government position is bereft of detail, and I ask the Minister to consider my points.

9.30 pm

Caroline Flint (Don Valley) (Lab): We have had a good debate, and I congratulate my hon. Friends the Members for Manchester Central (Tony Lloyd), for Glasgow North East (Mr Bain), for Aberdeen South (Miss Begg), my right hon. Friend the Member for Greenwich and Woolwich (Mr Raynsford), my hon. Friends the Members for Houghton and Sunderland South (Bridget Phillipson), for Sheffield South East (Mr Betts) and for Sedgefield (Phil Wilson), my right hon. Friends the Members for Coatbridge, Chryston and Bellshill (Mr Clarke) and for Holborn and St Pancras (Frank Dobson), my hon. Friends the Members for Stockton North (Alex Cunningham), for Streatham (Mr Umunna), for Hampstead and Kilburn (Glenda Jackson), for Scunthorpe (Nic Dakin), for Hayes and Harlington (John McDonnell) and for Bolton South East (Yasmin Qureshi), and my right hon. Friend the Member for Tottenham (Mr Lammy) on their measured contributions to the debate. They focused on facts and their constituents, and they raised concerns about the impact of the policies and the lack of evidence to clarify them. They asked the coalition Government to consider how their policies may lead to unfortunate consequences for their constituents in many ways. They came forward with ideas for reform. They raised concern about ending up with more polarised communities, and they talked about equality. Most importantly, they tried to address the issue.

The hon. Members for Cardiff Central (Jenny Willott), for Colchester (Bob Russell), for Wells (Tessa Munt) and for Strangford (Jim Shannon) made meaningful contributions. They, too, raised their concerns about the effect of the policies on their constituents. I am sure that the hon. Member for Brighton, Pavilion (Caroline Lucas) would have made a similar point about the people she represents.

Pete Wishart: The right hon. Lady promised to say whether the Labour party is planning to introduce a cap. How much would that be, and how would a nice new Labour cap differ from a nasty Tory cap?

Caroline Flint: I assure the hon. Gentleman that I will come to that.

Those colleagues—I call them colleagues because the substance of their speeches suggest that they may join us in the Lobby tonight—may be interested to know that the Minister for Housing referred to the Hull city council leader, Carl Minns, who is a Liberal Democrat, as a "motormouth" when he raised concerns about the impact of some of the Government's policies on people in Hull. Lord Shipley, a former leader of Newcastle city council, said that the private rented sector had been a "cornerstone" in stopping the use of bed and breakfast in Newcastle and that he did

"not wish to return to the days when we did...My concern is that the local housing allowance changes may restrict access to private rented accommodation and therefore limit the capacity of councils generally to resolve future housing need."

Those thoughts echo many of the comments that have been made.

It is a shame that not one Minister from the Department for Communities and Local Government is on the Benches at the end of these proceedings. Clearly, the Minister for Housing does not believe that it is worth while sitting alongside his colleagues from the Department for Work and Pensions to consider how to address reform of housing benefit and housing supply, which many of my hon. Friends and a few hon. Members raised. That is a great shame.

We are not opposed to reform. My right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) made that very clear. We are not against caps in the housing benefit system, as long as they do not make people homeless or cost us more in the long run. We do not have an objection to asking younger single adults on housing benefit to live in a shared house or flat, but we must be sure that there is enough supply to accommodate everyone, and to recognise that some single people may have particular needs that require them to be accommodated in a different way. We will look at how non-dependant deductions can be made, provided they do not result in people suddenly finding themselves unable to live in their homes with an elderly relative, for example. We are willing to consider some temporary changes to the uprating of benefits so long as that does not permanently break the link between the rent that people pay and the help that they receive.

We also believe that cutting the local housing allowance to the 30th percentile will have a huge impact, which is not to be desired. About 700,000 of the poorest people, in work and out of work, will be on average at least £9 a week worse off. We recognise the need for reform but, as in other areas, such reform should be staged over a number of years and be more limited.

Bob Russell: During the 13 years of the previous Labour Government, I put forward various proposals to them in more than 50 parliamentary questions. Does the right hon. Lady accept that, had the Government in which she served listened to and acted on those proposals, we would not be in this situation now?

Caroline Flint: I am closing this debate on behalf of the Opposition and we want to consider some points that hon. Members have made. We also believe that housing should be looked at in the round, in regard not only to benefit reform but to housing supply.

Let us look at some of the other points that have been raised. We heard from the Government that housing benefit was out of control, but it was not. The housing benefit bill did go up as a result of the economic downturn because, as people lost their jobs or were forced to work reduced hours, they needed more help to prevent them from becoming homeless. In the past two years, there have been 250,000 new cases of people in work claiming local housing allowance. Overall, however, as a proportion of total Government spending on benefits and tax credits, housing benefit has stayed stable at 14% for the past 20 years.

Kwasi Kwarteng: Will the right hon. Lady give way?

Caroline Flint: No, I am going to make some progress.

We have also heard from the Government that their plans will save money. However, if they do not think their policies through and consider their impact on people, they could end up costing more than they save. The Government say that the cap will save £65 million. Others say that its consequences—uprooting families, forcing them out of their homes and into temporary accommodation—could cost nearly twice that. We have heard that the Government intend to increase the amount for discretionary housing payments, but I seemed to hear them say that they would use that money to pay the people who they say should not be in those homes to stay in them. Instead of using housing benefit for that purpose, they are going to use discretionary housing payments. That is a smokescreen too far.

The Government like to say that these reforms will help people into work, but pricing hundreds of thousands of working people out of whole swaths of the country, often where most of the jobs are, will make it more difficult, not less, for people to find work and keep their jobs.

Dr Julian Huppert (Cambridge) (LD): Will the right hon. Lady give way?

Caroline Flint: The hon. Gentleman was not here for the debate, so I will not give way.

Reducing people's housing benefit when they have been out of work for a year does not help them to get a job. It punishes them for not having one, and we reject that entirely. The Government say that reducing housing benefit will bring rents down. Landlords themselves tell us otherwise, however, with 90% saying that they will be less likely to take on people on housing benefit. That means that there will be more people chasing fewer homes, which will drive rents up, not bring them down.

Mr Duncan Smith: They would say that.

Caroline Flint: The Secretary of State might say that, but I find it difficult to understand, given the question marks over the impact on rents of the Government's plans, why they are not doing a more thorough job of getting the evidence to prove that their policies are right. I have heard the Minister for Housing—who is not here tonight; he obviously does not think it worth while—say on a number of occasions that he has evidence to back up his idea that rents will go down, but he has refused to provide that evidence. We have seen no sign of it.

My right hon. Friend the Member for Greenwich and Woolwich and my hon. Friend the Member for Sedgefield made strong points about the rented sector. They said that the Government's policies on housing benefit reform and their lack of a plan for housing supply would do nothing to tackle the issue of rents. Let us be honest about this: the Government have completely rejected the findings of the Rugg review, which we initiated to tackle some of the problems in the private rented sector.

Much has been said about our record on housing, so let me say something about that. Two million more homes were built, there are now 500,000 more affordable homes and 1 million more homeowners, and 1.5 million homes have been brought up to a decent standard. Homelessness was cut by 75%, and no family spends longer than six weeks in a bed and breakfast. In the face of the global financial crisis, the worst of its kind for 70 years, Labour did not walk by on the other side. We took action and supported families to stay in their homes. We prevented 300,000 families who might otherwise have lost their homes—and who would have lost their homes had the Tories been in power—from doing so. That is the reality. That is our record, and it stands in contrast to the mess the Tories left us.

Many thought that bringing so many homes up to a decent standard in such a short space of time would prove impossible. It did not. However, it did come at the cost of not building as many homes as we would have wanted. I agree with the hon. Member for Colchester and some of my hon. Friends who have referenced that tonight. Let us not forget that the reason why we had to focus on decent homes and bring them up to standard was the desperate situation we inherited from the last Conservative Government in 1997.

Kwasi Kwarteng: Will the right hon. Lady give way?

Caroline Flint: The Under-Secretary of State for Communities and Local Government, the hon. Member for Hazel Grove (Andrew Stunell), who is not in his place, helpfully points out on his website that there were 400,000 fewer homes after the Tories' 18 years in power. Of the stock that did remain, the last Conservative Government knowingly, wilfully and shamefully allowed so much of it to get into such a state of disrepair that when we came to office in 1997, we faced a maintenance backlog of £19 billion, with 2.3 million homes below a decent standard. Pensioners were unable to heat their homes, and children were made ill because of the damp, mouldy and overcrowded homes they were forced to live in. That is the Tories' record, and we are not going to let them forget it.

Kwasi Kwarteng: Will the right hon. Lady give way?

Caroline Flint: Conservative plans today are no better. The Minister for Housing likes to say that his Government will build more affordable homes every year than we built in 13 years. [Hon. Members: "Give way."] I will give way to the hon. Member for Spelthorne (Kwasi Kwarteng).

Kwasi Kwarteng: I am grateful to the right hon. Lady for giving way. I have asked this question six times in the course of this debate. What is your view on the cap? Would you have one?

Mr Speaker: Well, the hon. Gentleman ought to be able to get it right the seventh time. The Chair has no view on the cap.

Kwasi Kwarteng *rose—*

Mr Speaker: The hon. Gentleman has finished. That is the end of it.

Caroline Flint: The hon. Gentleman should look at *Hansard*. I said quite clearly that we are not against looking at caps, and we are prepared to look at regional variations as well, but that would have to be planned and done properly over time.

Let me tell the Housing Minister that last year, in the teeth of recession, we built more homes in one year than the Government will build in any of the next five years. Since this Government came to power, local councils have ditched plans for new homes at the rate of 1,300 every single day. In the comprehensive spending review, the housing budget was demolished by devastating cuts of more than 50%. As a result, according to the independent National Housing Federation, once the homes Labour started building are completed, no new social homes at all will be built in the next five years.

Mr Duncan Smith: In response to the right hon. Lady and the hon. Member for Perth and North Perthshire (Pete Wishart), she has said for the first time in this debate—her right hon. Friend the shadow Secretary of State has also said it—that Labour Members are in favour of a cap. Will they please explain something to us? We have put our proposals forward. What level of cap do they now favour?

Caroline Flint: We have said quite clearly—not just today, but in a speech my right hon. Friend the Member for Paisley and Renfrewshire South made last Friday and in an article that I wrote last week—that we will look at the issue of caps. What we have said is that whatever cap is chosen on whatever basis, it must be planned, phased in and must ensure that people are not turfed out of their homes, put into bed-and-breakfast accommodation or made homeless. The Tories have not been able to answer any of those questions.

The fact is that one part of Government is working on one track for housing benefit reform, but there is no joined-up thinking with the Department for Communities and Local Government on housing supply. That is not a plan of action for housing, but a recipe for chaos and it does nothing to help cut the housing benefit bill. It is not only Labour Members who say that; dozens of Tory MPs have been to see the Secretary of State to tell him why these plans will not work. We have heard about the Conservative Mayor of London and we know that Tory council leaders across the south-east have warned that the dispersal of people that these policies will create will place an unbearable burden on services that are already stretched to breaking point.

There is a better way of doing this. We want to reform housing benefit, but in a way that is fair and that does not end up costing us more than it saves. I urge Liberal Democrat Members and perhaps a few on the Tory Benches to join us in the Lobby and speak up for their constituents.

9.44 pm

The Minister of State, Department for Work and Pensions (Steve Webb): This has been a worthwhile debate. We have learned a number of things. Most of all, we have learned that no Labour MP actually read the manifesto on which they stood. *[Interruption.]*

Mr Speaker: Order. Hon. Members are in a state of almost uncontrolled excitement. I want to hear the Minister talking about his position, and about manifestos.

Steve Webb: Thank you, Mr Speaker.

Housing benefit will be reformed so that we do not subsidise people to live in the private sector on rents that other ordinary working families could not afford. When we do that, Labour Members are against it. When we propose a cap, they are in favour of it—until we set a figure, and then they are against it. When we propose to cut non-dependant deductions they are in favour of that—unless it actually affects anyone. The shadow Secretary of State said that he wanted regional caps, when the cap would principally affect central London, because he does not want a cap that actually caps anyone. What we need are credible Opposition propositions, not opportunism.

Three main themes have emerged from the debate. The first is that the impact of these changes has been grossly exaggerated. As my right hon. Friend the Secretary of State said at the beginning, talk of highland clearances and the final solution is a disgrace. My hon. Friend the Member for Wolverhampton South West (Paul Uppal) pointed out how offensive such language is to people, but even in this debate we have heard talk of highland clearances, and of Paris.

The right hon. Member for Tottenham (Mr Lammy) does not seem to appreciate that in substantial parts of central London—in the borough of Southwark, for example—48% of properties are in the social rented sector, and will not be affected by either the cuts or the percentiles. The suggestion that central London will be devoid of people on low incomes is complete nonsense. If the right hon. Gentleman wants to correct himself, he is welcome to do so.

Mr Lammy: The Minister proposes to increase social rents to 80% of private rents, which will lead to a removal of poor people from central London. The Minister knows that.

Steve Webb: I do not think that the right hon. Gentleman has followed the proposition. It involves new houses and new build. People in existing tenancies do not face that change.

We have heard talk of the impact of these changes. I appreciate that it is a shame to introduce facts at 9.45 pm, but I shall give it a try. As was pointed out by the Chairman of the Select Committee, the hon. Member for Aberdeen South (Miss Begg), this is not just a London issue, but obviously the impact of the cap will be felt particularly in London. There are 400,000 people on housing benefit in inner London, which ought to be

where the impact will be greatest. Of those, 313,000, or 77%, will be unaffected because they are in social tenancies, and a further 30,000, or 7%, will be unaffected because they are in the non-local housing allowance sector. That adds up to 84%. A further 6% receive local housing allowance, but will not be affected. That means that 90% of people on housing benefit in central London will not be affected at all, while another 3% will be affected by less than £10 a week.

The mistake made during the debate is that people have assumed that any shortfall is equivalent to homelessness. That is a ludicrous leap. We know that people experience shortfalls in a number of ways. Of all the people on housing benefit in central London, 7% will experience shortfalls of more than £10 if there is no change in rents.

Mr Raynsford: Will the Minister confirm that he has just misled the House? Tenants in social housing will be subject to increased non-dependant deductions. The housing benefit of those who have received jobseeker's allowance for 12 months will be terminated or reduced by 10%, and the benefit of those who are deemed to be occupying accommodation larger than they need will be reduced as well. All those social tenants will be affected by the Minister's changes. Will he now admit that?

Mr Speaker: Order. I think that the right hon. Gentleman intended to include the word "inadvertently" in his intervention.

Steve Webb: I am sure that he inadvertently forgot, Mr Speaker.

The impact of the cap, the impact of the 30th percentile and the impact of the removal of the £15 excess have been elided in the debate. The hon. Member for Houghton and Sunderland South (Bridget Phillipson) mentioned the figure of 20,000 pensioners in her constituency—most of whom will not be affected by any of the changes. As I was explaining, less than 10% of people receiving housing benefit in the area most likely to be affected—inner London—will experience shortfalls of more than 10%.

The exaggerated impact has been made clear. However, one point has not been made clear. It has been suggested that the private rented sector is somehow an oasis of stability and settled communities, but there is massive churn in that sector. I want to give an example of that. The people affected by the caps and the 30th percentile are on local housing allowance. Local housing allowance was introduced in April 2008, so pretty much all those people did not even move into their current properties until April 2008; in the vast majority of cases they have lived in them for less than three years. The idea that we are suddenly churning up some settled permanent community is complete nonsense.

Emily Thornberry: The hon. Gentleman is saying that a huge proportion of people will not be affected, but let us say, for example, that we are doing our best to move a woman in Islington from a three-bedroom house into a smaller flat. Would she lose her secure tenancy if she moved?

Steve Webb: When there are specific instances of vulnerable people about whom local authorities have concerns, those local authorities have discretion to do something about the situation. But when people might reasonably be expected to move, that, of course, is part of the equation. If everybody went on staying exactly where they were at the same rent, there would have been no point to the policy.

On the basis of the debate so far, Mr Speaker, you would imagine that this year's £21.5 billion housing benefit budget was about to be slashed. *[Interruption.]* Labour Front Benchers are saying that it is.

Mr Douglas Alexander *indicated dissent.*

Steve Webb: Sorry; the shadow Secretary of State is disowning the right hon. Member for Greenwich and Woolwich (Mr Raynsford), who got it wrong. In 2014-15 the housing benefit budget will have been "slashed" from £21.5 billion to £22 billion. We are not slashing. We are making changes.

It has been said that we are being too hasty. The Labour party has decided that after 13 years of making the problem worse, doing something about it is "hasty". Labour was so unhasty that it never got round to doing anything about the problem before it lost office. We are getting a grip.

First, we have established that the impact of the changes has been grossly exaggerated. Secondly, we have established that rents will not stay as they are. During the debate it has been suggested that the fact that the British taxpayer is putting more than £20 billion a year into housing benefit has no impact on the market. We, the taxpayers, pay housing benefit towards 40% of private rented tenancies. It is a long time since I studied economics, but I reckon if we pay for 40% of the tenancies and we put £20 billion a year into the market, we might just be having some impact.

Sheila Gilmore: The hon. Gentleman is using the figure of 40%. Recent research done both in Scotland and England is completely different. It produces a figure of 20%. In fact, in Scotland it was 17%; the report was produced for the Scottish Government. Only 8% of that was for housing benefit. We need to see the evidence that differs from the research that the Government themselves commissioned.

Steve Webb: I am not sure what the hon. Lady is questioning. Some 40% of private rented sector tenancies have housing benefit. That is a fact.

As my right hon. Friend the Secretary of State pointed out earlier, people have said in this debate that rents will not fall. There is an assumption that rents have to go up. I have news for those people: since November 2008 private sector rents have fallen by 5%, while LHA rents have risen by 3%. So there is a void. That is further evidence. Opposition Members have asked for evidence, and here is clear evidence that LHA is driving up rents.

Mr Slaughter: Will the Minister give way?

Steve Webb: Will the hon. Gentleman allow me? I want to respond to 35 different contributions; I hope that he will forgive me for responding to the debate.

My hon. Friend the Member for North East Hertfordshire (Mr Heald) pointed out how LHA is inflating the market. LHA rents are on average 10% higher than the housing benefit rents that have carried on from the previous system—more and more evidence that we,

[Steve Webb]

through our taxes, including taxes on hard-working families, are inflating rents. That is not benefiting tenants. During the debate it has been suggested that we are against the tenants, but we are actually against our taxes being spent on inflated rents, because that is not what the money should be for.

We have established that if we can get a grip on the rents, that will benefit tenants and help people in lower-paid work to pay those rents. There have been exaggerated stories about the impact, an assumption that rents will not fall, although we believe that our changes will have an impact, and thirdly—

Mr Slaughter: When the local housing allowance was introduced, the hon. Gentleman wrote on his website:

"Proposals of this sort risk creating 'ghettos' where low-income tenants are forced to move to accommodation in lower rent parts of town, whilst those who are better off continue to rent the best properties."

When did he change his mind and stop worrying about that problem?

Steve Webb: That is interesting. I wonder whether the hon. Gentleman still supports the housing benefit cut taking away the £15 excess that the Labour party was going to introduce before the general election. If I remember rightly, Labour delayed that cut by one year—until after the election. Does the hon. Gentleman still support that Labour cut in housing benefit? I suspect not.

It is important that we have a discussion about fairness. My hon. Friend the Member for Colchester (Bob Russell) raised the situation of vulnerable people, particularly families with children. We are clear, first, that the impact of the changes as a whole is much narrower than has been assumed; secondly, that they will have an impact on rents, which will reduce the shortfalls and the number of people who will have to move; and thirdly, that there will be individual vulnerable cases. My hon. Friend is right to say that the position of families with children is very important. That is why we have trebled the money available to local authorities for discretionary housing payments specifically to help the most vulnerable. I recently had a conversation about a London authority that estimated that it would need to double its discretionary housing payments to cover these costs. We are trebling them, which we believe will enable local authorities to address the situation of the vulnerable households about which my hon. Friend is rightly concerned. I am grateful to him for raising that point.

The issue of fairness was raised by other Members too. My hon. Friends the Members for Hastings and Rye (Amber Rudd) and for South Thanet (Laura Sandys) rightly pointed out that many low-paid workers cannot begin to afford the sorts of rents we are paying for housing benefit recipients. The Labour party used to agree with us on that. Since they became the Opposition, however, they have stopped agreeing with themselves. There is a fairness issue therefore, and as we bring down rents we will improve the fairness of the system.

One of the key issues is housing supply, which my hon. Friend the Member for Colchester and others also raised. The shadow Communities and Local Government Secretary, the right hon. Member for Don Valley (Caroline Flint), rightly raised that issue as well. However, the housing shortage was caused by the Labour party, which failed to build sufficient numbers of houses when in office. Many Labour Members said that they wished the situation was different. Well, they had 13 years to make it different. It is no good their wishing in opposition that houses had been built. As they held the levers of power and they did not pull them, they have to accept and live with the consequences. That is why I welcome what my ministerial colleagues at the Department for Communities and Local Government are doing to generate new social house building so that there will be diversity in the social housing sector, with the most subsidised rents and also near-market rents—80% of market rents—which will provide the resources needed for the significant increase of 150,000 new social homes. We desperately need that increase during the course of this Parliament.

Many Members raised issues about the disincentive effects of the housing benefit system, and I want to draw attention in particular to the remarks of my hon. Friend the Member for Enfield North (Nick de Bois). He made some powerful points about the fact that once people are in work and on housing benefit—I do accept that there are people in work and on housing benefit—the benefits systems then traps them, because if they want to do extra work they face very high marginal withdrawal rates. My hon. Friend highlighted the situation of people who are in work and do not want to do more hours because they will just find that their housing benefit is withdrawn. That is a crazy system: we, the taxpayers, pay £21 billion a year to subsidise rents, and put inflation into rents, and then we expect people to do low-paid work, and as soon as they do more work we claw the money back.

That is going to change. This Government are doing to do something about it. On Thursday my right hon. Friend the Secretary of State will announce plans to take forward the proposition of a universal credit, whereby for the first time people will be guaranteed to be better off in work.

Ms Rosie Winterton (Doncaster Central) (Lab) *claimed to move the closure (Standing Order No. 36).*

Question put forthwith, That the Question be now put.

Question agreed to.

Main Question accordingly put.

The House proceeded to a Division.

Mr Speaker: I ask the Serjeant at Arms to investigate the delay in the Aye Lobby.

The House having divided: Ayes 258, Noes 319.

Division No. 113] **[9.59 pm**

AYES

Abbott, Ms Diane	Bayley, Hugh
Ainsworth, rh Mr Bob	Beckett, rh Margaret
Alexander, rh Mr Douglas	Begg, Miss Anne
Alexander, Heidi	Bell, Sir Stuart
Ali, Rushanara	Benn, rh Hilary
Austin, Ian	Benton, Mr Joe
Bailey, Mr Adrian	Berger, Luciana
Bain, Mr William	Betts, Mr Clive
Balls, rh Ed	Blackman-Woods, Roberta
Banks, Gordon	Blears, rh Hazel
Barron, rh Mr Kevin	Blenkinsop, Tom

Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Engel, Natascha
Esterson, Bill
Evans, Chris
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Mr Tom
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hermon, Lady
Heyes, David
Hillier, Meg
Hilling, Julie
Hodgson, Mrs Sharon
Hoey, Kate
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Paisley, Ian
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Ritchie, Ms Margaret
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Russell, Bob
Sarwar, Anas
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Wood, Mike
Woodcock, John
Woodward, rh Mr Shaun
Wright, David
Wright, Mr Iain

Tellers for the Ayes:
Stephen Pound and Mr David Hamilton

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bottomley, Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette

Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grayling, rh Chris
Green, Damian
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hague, rh Mr William
Halfon, Robert
Harnes, Duncan
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Luff, Peter
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Moore, rh Michael
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Tapsell, Sir Peter
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Norman Lamb and Stephen Crabb

Question accordingly negatived.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

IMMIGRATION

That the draft Asylum (First List of Safe Countries) (Amendment) Order 2010, which was laid before this House on 12 October, be approved.—*(Mr Goodwill.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

NATIONAL LOTTERY

That the draft Apportionment of Money in the National Lottery Distribution Fund Order 2010, which was laid before this House on 14 October, be approved.—*(Mr Goodwill.)*

Question agreed to.

Clostridium Difficile

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Goodwill.)*

10.18 pm

Mr David Burrowes (Enfield, Southgate) (Con): It was in January 2007 that I last secured a debate on clostridium difficile, or C. diff as it is commonly known. It was the first time that the House had debated the subject, and I recall how at the time Mr Speaker's office questioned what C. diff was. Indeed, many hon. Members had never heard of it. Since that time, however, sadly the impact of this cruel and often unremitting infection has demanded the public's and, indeed, the Government's attention. All hon. Members will probably know of someone in their constituency or family who has suffered from C. diff. Indeed, in that regard I welcome the attendance of Mr Deputy Speaker, who has a deep and personal interest in the issue, following the loss of his mother as a result of C. diff.

I gladly acknowledge that there has been much progress in the three or so years since I last raised this subject. However, C. diff still leaves thousands of people each year suffering great discomfort, loss of dignity and, sadly, loss of life. The media spotlight comes on to the subject when there is an inquiry into a hospital trust and then moves on but, away from its glare, the terrible and often tragic effects of this infection have not gone away.

I know that the Minister will provide me with an answer, which is the primary purpose of this debate—namely, an assurance that the Government take C. diff very seriously and are working hard not only to reduce it but to eradicate it. Much has changed since 2007, not least with the Government's plans to revolutionise the national health service and empower patients and general practitioners. I hope that this debate will help to identify the challenges and opportunities to tackle C. diff, not only in the hospital setting but in the community.

Some things, or rather someone, have not changed since the previous Adjournment debate in 2007. I refer to the active involvement and national leadership on the issue of C. diff of my constituent Graziella Kontkowski, who has attended the debate this evening, as she did back in January 2007. Tragically, Graziella's grandmother died as a result of the C. diff infection. Graziella describes being

"helpless, watching my grandmother die a slow and painful death without being able to do anything to help her – it was the worst thing I've ever experienced."

Since then, she has used her experience and remarkable passion and energy to ensure that other families are able to face and fight C. diff and its terrible effects. Alongside her brother Mark, Graziella set up the online C. diff support group, which can be found at www.cdiff-support.co.uk, to make it possible for people who have been infected by C. diff, or whose loved ones have suffered from its effects, to share their experiences and advice with one another. The C. diff support group has about 1,500 members and continues to make a valuable contribution to the public debate on C. diff and to the lives of many who are struggling in similar circumstances to those that Graziella and her family went through.

Graziella also helps to support the work of the Centre for Healthcare Associated Infections, which is based at the university of Nottingham. With the danger of bacteria

[Mr David Burrowes]

mutating to become more resistant to antibiotics, its efforts towards the development of new vaccines and rapid diagnostic tests for the detection of the infection are to be commended. Its research can truly be described as life saving, and I encourage members of this House, and members of the public, to consider supporting its work.

Richard Harrington (Watford) (Con): I congratulate my hon. Friend on the work that he has done on this very difficult subject. I would like him and his constituent to know that there is a device in America called Zimek, which I have observed. It is the most fantastic system that disperses disinfectant and has eradicated C. difficile in hospital wards. It is undergoing clinical tests in Northwick Park hospital, which is just next to my constituency and where many of my constituents are being treated. I urge the Minister to take note of this. I would be delighted to send him details showing the fantastic effects that the device has had in America, very cheaply and in a way that I believe could save millions of lives in this country.

Mr Burrowes: I am grateful to my hon. Friend. He makes the case for that proposal very well. Indeed, there are several innovative developments, not only in the hospital setting but in trying to look at prevention. Prebiotics is another area that is worth considering. I ask the Minister to look at supporting the centre I mentioned and at how we can support research in this field.

A C. diff infection exacts a great cost from the patient who suffers from it and the family who witness it. It is also financially expensive. In 2008, the Department of Health released a report called "Clean, safe care: reducing infections and saving lives", which noted that treating one patient with a C. diff infection cost the NHS more than £4,000 per patient. By this estimation, and considering the number of infections reported last year, C. diff cost taxpayers close to £1 billion in the past 12 months.

It is true that C. diff has received a far more coherent and concerted response from the NHS in the past three years than it had previously. It is equally clear that this focus has had a positive effect on the quality of care and on survival rates in our hospitals. Last year the infection was noted on fewer than 4,000 death certificates and was considered to be responsible for deaths in 1,712 cases. That is less than half the rate in 2007, when more people died as a result of C. diff than as a result of road accidents. However, as the Secretary of State for Health has said:

> "There is no tolerable level of preventable infections."

I am grateful to his Department for making it clear that a zero-tolerance approach to health care-associated infections is a priority for the Government. During the week beginning 26 September, 190 new cases of infection were reported by hospitals in England and Wales—an average of 27 cases a day, or more than one every hour. There is no room at all for complacency.

One problem of which we need to be aware is the number of incidents of recurring C. diff symptoms in patients. I am greatly concerned that hospitals are releasing those who have suffered with the symptoms of the infection too early, which leads to many having to return to hospital with the same problem. I am glad that the Department has recently made it clear that hospitals are responsible for the care of a patient for up to 30 days after they have been discharged.

The Minister of State, Department of Health (Mr Simon Burns) *indicated assent.*

Mr Burrowes: I am glad that the Minister fully shares my concern. It is good to know that hospitals cannot expect any additional payment for treating those who have suffered a recurrence during those 30 days. However, I ask him whether there could be any sanctions on trusts that sadly fail to reduce the rate of infection.

Along with the Department of Health, my constituent Graziella has produced a leaflet, which my hon. Friend the Minister helpfully distributed just before the debate. It is called "C. difficile—now you are going home", and it sets out the best ways for patients to protect against the infection spreading. It is intended to be given to patients so that they can be aware of the risks and know how to prevent other vulnerable people from catching the infection. However, although both Graziella and I would like to see this leaflet distributed by every hospital and GP, there is no requirement that that happen. Many patients return home without the information in that fantastic leaflet about how best to protect themselves and others. Will the Minister consider requiring—or, in the more localising language that Conservative Members prefer, incentivising—hospitals to provide the leaflet or similar information to all patients leaving their charge who have had the infection?

Although improvements have been made in acute trust hospitals such as my local North Middlesex university hospital, it is important that we do not lose sight of the need to pay attention to what is happening in our primary care trusts. In fact, in every month of last year, PCTs reported far more cases of C. diff than acute trusts. Enfield PCT, which is by no means extraordinary in this regard, reported 144 cases in patients aged over two in just the past year.

Nick de Bois (Enfield North) (Con): To pick up on my hon. Friend's point about Enfield, as he knows, at our local hospital, Chase Farm, there has been an extraordinary improvement in recent months, particularly since August. That is essentially down to a massive concentration of effort on this one problem, and there, in part, lies the solution.

Mr Burrowes: I am grateful to my hon. Friend, and I support the work that has happened. It has very much been prompted by Graziella, who has been going from ward to ward to ensure that what people say is being done is, in fact, reflected in their actions.

We also need to get to grips with the problem of C. diff in the community. In the past, there has been too little interest in what happens to a patient once they leave the hospital walls, and too little attention to the problem of infection being spread between hospital and home, or worse, between hospital and care home. Sadly, many of my hon. Friends will have witnessed that situation. That two-way corridor of infection must be addressed, as must the associated lack of care that care home residents can sometimes receive, as they are sadly away from the public eye.

Given the clear danger of allowing infections to spread within an enclosed community of elderly and vulnerable people, I would be interested to know what the Department is doing to monitor cases within the care home setting, and specifically to monitor whether cases are being reported consistently and dealt with promptly and according to the most recent hygiene code.

As we move boldly to a health care system that puts the patient and their recovery at the heart of every decision, it is essential that health care-associated infections such as C. diff are on GPs' radars, especially as they take on responsibility for commissioning in their area. There needs to be an assumption in favour of testing for the infection when patients are suffering from diarrhoea. GPs must also be properly aware of the need to check up on patients, and avoid prescribing them certain drugs that are known to increase the risk of infection and the likelihood of patients suffering from severe symptoms. The C. diff support group has identified a number of worrying cases of GPs prescribing antibiotics. I also ask colleagues to look on its website and check out Imodium, which is known negatively to affect patients suffering from C. diff.

In December 2008, the Department of Health's report on C. diff strongly recommended that

"all cases of diarrhoea among people in the community aged two years and above should be investigated for C. diff unless there are good clinical reasons not to."

Such good practice needs to be extended to all GPs. Does the Minister know what more the Government can do to ensure that GPs are fully briefed on C. diff and that they are responding to this knowledge efficiently and consistently?

Perhaps the Minister would consider enabling the NHS computer systems in both hospitals and GP surgeries to tag an alert to Imodium and other drugs that are known to increase the risk of C. diff in vulnerable patients. Doctors intending to prescribe such drugs would be reminded to consider whether the patient might have the infection before doing so.

As for the careful monitoring of patients in the community, I would be interested to know what, if any, guidelines GPs follow with regard to the treatment of patients with C. diff. Perhaps the Department would be willing to provide such advice to doctors. Doctors could perform a simple blood test on elderly patients in the community to provide an early warning against the possibility of renal failure.

I very much welcome the Health Secretary's attendance today and his commitment to comprehensive, trustworthy and easy-to-understand information on how to look after patients' health. The data on C. diff infection rates already exist and can be found online, but they are often inaccessible in their format. They can be sketchy and incomplete at best.

Yesterday, NHS Choices listed 12 hospitals within five miles of one of the postcode areas in my constituency. Of those 12 hospitals, data on the prevalence of C. diff cases within the last 12 weeks were available for only two of those hospitals—North Middlesex University hospital and St Ann's hospital. On the same day, the Department published business plans with a focus on transparency. To ensure that we see even more marked improvements in the next three years, will the Minister tell us what he intends to do to ensure that "easy to understand" information is available, especially on those websites that patients are most likely to use and at those locations that they are most likely to frequent?

Finally, I look forward to the time when the Minister can declare to the House that preventable healthcare-associated infections such as C. diff can be eradicated. However, I am conscious, as the Minister will be, of George Bush's regret when he prematurely declared "mission accomplished" and there is much to be done before we can get near to such a declaration. I hope that this debate, which supports the great work of campaigners such as my constituent Graziella Kontkowski, can move us closer to a time when we have no need to raise this important issue in the House again.

10.32 pm

The Minister of State, Department of Health (Mr Simon Burns): I congratulate my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) on securing this debate on C. difficile. He has shown a strong interest in this issue for a very long period. Let me make it clear that the NHS should aim for a zero-tolerance approach to all health care-associated infections. I hope that what I say in my speech tonight will reassure my hon. Friend that we as a Government regard C. difficile as a priority and we will use all the levers at our disposal to support further significant progress in reducing this problem in our hospitals, care homes and other health facilities.

For most of the last decade, we saw unchecked increases in the number of MRSA and C. difficile infections, causing misery for thousands of patients and their families. However, in more recent years, the NHS has improved its infection prevention and control practices, which has led to a significant reduction in both C. difficile and MRSA bloodstream infections. I should like to take this opportunity to congratulate all NHS staff who were involved in turning the tide for their hard work in achieving that. From a high of around 56,000 infections in 2006, C. difficile infection has fallen to just over 25,000 in 2009-10. From almost 8,000 infections in 2004, numbers of MRSA have also fallen substantially to fewer than 2,000 in 2009-10. However, despite the progress that we have made, we can go further.

Julian Smith (Skipton and Ripon) (Con): Will my hon. Friend give way?

Mr Burns: I would be grateful if my hon. Friend allowed me not to, because I have very little time in which to say a lot in answer to the questions from my hon. Friend the Member for Enfield, Southgate.

Despite the progress made, we can go a lot further to reduce infections, particularly of C. difficile. The previous Government's approach was to introduce a rather crude national target for reducing infection rates that placed no specific obligation on individual organisations to improve their prevention and control systems or to reduce their own infection rates. We therefore find ourselves in a situation where, despite significant reductions at a national level, many organisations have made little or no improvement on their position years ago. The job of controlling C. difficile infections in the NHS is far from complete, and the NHS, in both secondary and primary care, must continue to prioritise reducing these infections.

[Mr Simon Burns]

We will expose those poor-performing organisations that were able to ride on the coat tails of others, and force them to put their house in order.

My hon. Friend asked about monitoring care homes. I can assure him that, as part of our commitment to a whole-health economy approach to infection prevention and control, last month the adult social care sector became subject to the code of practice on the prevention and control of infections. Adherence to the code is a statutory requirement, and we expect to see improvements in infection prevention and control practice in the social care sector as a result of its introduction, in the same way as has happened in hospital settings. In addition, we have strengthened Care Quality Commission powers to ensure that, where required, appropriate action can be taken to address poor practice. Care homes should report single cases of suspected C. difficile to the resident's general practitioner, and a suspected outbreak should be reported to the local health protection unit. I am confident that this additional strengthening of the measures will go some way to help reduce the problem in care homes.

The Government expect the NHS and social care organisations to take a zero tolerance approach to health care-associated infections, as I said at the beginning of my remarks. When patients have the relevant information, they can be the most powerful agents for change. In line with this, one of the first things we did was to publish weekly MRSA and C. difficile infection numbers by hospital, and the data are now available within weeks rather than months, giving a far more accurate picture of what is happening at a particular hospital. Patients can now clearly see and take account of this when choosing where to have their treatment.

My hon. Friend asked about making more information available. I can reassure him that one of the key parts of the White Paper on health reform in the NHS is on empowering patients by providing even more information relevant to them from independent sources. That means it will be reliable and accurate. It will also be provided in a way that is easily understandable, so that patients can see the areas of health care—in whatever shape or form—that are of particular interest to them. I would encourage anyone to respond to the consultation on the information revolution document that my right hon. Friend the Secretary of State published recently, so that we can consider all views on how to get this right and empower patients with information.

We also made it clear in the coalition agreement that we will use quality outcome measures, including HCAIs, to drive improvements in the areas that really matter to patients. In the near future, I want all organisations to be operating at the level of the best today. The challenge, therefore, will be greatest for those who have so far made the least progress. We have also decided to extend mandatory surveillance beyond MRSA and C. difficile, to provide a fuller picture of HCAIs within the NHS, which the previous Government resisted. As my right hon. Friend the Secretary of State announced last month, we will extend mandatory surveillance to include MSSA—meticillin-sensitive staphylococcus aureus—with infections such as E. coli to follow in due course, based on expert advice.

I know that my hon. Friend the Member for Enfield, Southgate has a strong interest in the different settings where C. difficile infections occur. For some years, such infections were essentially seen as a hospital problem, with hospitals being the focus for both central and local efforts to tackle them. However, that focus is not sufficient, as he mentioned. An unfortunate outcome of the previous focus on hospital-acquired C. difficile infections is a lack of awareness of the risks in primary care. Although we have seen substantial decreases in C. difficile infections in acute trusts, those occurring in primary care trusts—referred to as community-associated infections—have decreased at a far slower rate.

The origin of community-associated cases is not clear and needs further investigation. A significant proportion may be due to previous contact with previous health care facilities. In other cases there may have been no known links to health care, while others may be associated with antibiotic treatment in the community by GPs. GPs have a vital role to play in reducing the inappropriate use of broad spectrum antibiotics—those that attack a wide range of bacteria, but which can increase the risk of contracting C. difficile. GPs need to consider C. difficile when prescribing antibiotics, particularly to at-risk groups such as those who have recently been discharged from hospital or the elderly, as my hon. Friend rightly mentioned. Because such antibiotics can increase the risk of contracting C. difficile, prudent antibiotic prescribing is key. Although only a small number of C. difficile infections emanate from general practice, this is not an excuse to do nothing—not when the impact on individuals can be so great.

We will increase GPs' awareness of the impact of antibiotic prescribing on contracting C. difficile infections and increasing antibiotic resistance. As part of that, we will use antibiotic awareness day on 18 November to focus attention on the need to reduce the unnecessary use of antibiotics. As my hon. Friend showed in his speech, we have produced leaflets and other materials that GPs, pharmacists and other professionals can use to raise the issue with patients and the public. Those materials make it clear that everyone has a role in improving prescribing and patient outcomes. To improve the evidence base, we are considering how to improve the monitoring of community associated cases. That links into our concern about the large number of readmissions to hospital within 30 days of discharge, which my hon. Friend also mentioned. The action that my right hon. Friend the Secretary of State took in the summer to alleviate the problem will, I believe, go a long way towards helping to find a solution to it.

Let me now turn to some of the questions that my hon. Friends have asked in this debate. I am grateful to my hon. Friends the Members for Watford (Richard Harrington) and for Enfield North (Nick de Bois) for drawing to my attention the equipment, which came from America, that is currently being tested in Northwick Park hospital. As they may be aware, the Department has established a mechanism, known as the rapid review panel, by which new products can be evaluated for their effectiveness against infections. As they said, the equipment is currently being tested at Northwick Park hospital. We await with interest the results of those tests, to see whether the equipment would be useful in the constant battle against such infections.

My hon. Friend the Member for Enfield, Southgate also asked what more the Government could do to ensure that GPs are fully briefed on C. difficile and respond to such knowledge efficiently and consistently. As I mentioned with social care, the forthcoming application of the code of practice to primary care will give a significant boost to improving GPs' awareness and knowledge of infection prevention and control. We will publish the code shortly, and although primary care will not be subject to the requirements of the legislation until April 2012, the registration process with the Care Quality Commission will start much earlier, with all the benefits that this will secure, through increased focus and awareness. I trust that that will go some way towards reassuring my hon. Friend.

My hon. Friend also spoke about requiring hospitals to provide information to patients leaving their care. As he said, Graziella, with the Department of Health, has produced a leaflet on C. difficile, which he has seen. The best way to protect patients against the infection spreading is to provide them with information. The intention is to give the document to patients so that they are aware of the risks, and know how to prevent other vulnerable people from catching the infection. However, although both she and I would like the leaflet to be distributed by every hospital and GP, there is no requirement for that, and many patients are sent home without the information that they need to protect themselves.

We believe, as does my hon. Friend, that it is important for patients to have access to information. I certainly expect hospitals to provide that information to all relevant patients on their discharge. It is important to ensure that such leaflets are available for the NHS to use, and copies are available on the Department's Clean, Safe Care website, but we must be careful not to be prescriptive on decisions about patients' care that are best made at local level. I trust that many practitioners and hospitals at local level will recognise the importance of the leaflets and ensure that patients have them drawn to their attention.

Time is running out, and on the questions to which I have not had the opportunity of replying I will write to my hon. Friend so that he receives answers. I say again that we treat the matter seriously, and in the short time remaining I shall answer the final question about careful monitoring of patients in the community. Guidance, entitled "Clostridium difficile infection: how to deal with the problem", has been published by the Department of Health and the Health Protection Agency, and provides evidence-based advice on how to treat C. difficile. We will take the opportunity in the forthcoming publication of the code to reiterate the value of that to GPs in their decision making, and I hope that my hon. Friend will find that reassuring and helpful.

When patients enter a health care setting, they expect to be taken care of and to be made better, not to contract a potentially fatal infection. I hope that I have reassured my hon. Friend that the Government share his deep concern and are determined to see significant progress in reducing C. difficile infections further.

Question put and agreed to.

10.47 pm

House adjourned.

House of Commons

Wednesday 10 November 2010

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

NORTHERN IRELAND

The Secretary of State was asked—

Exports

1. **David Morris** (Morecambe and Lunesdale) (Con): What recent discussions he has had with ministerial colleagues on the contribution of Northern Ireland to the Government's programmes to increase the level of exports for the purposes of international trade. [22147]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): My right hon. Friend the Secretary of State and I have had regular discussions with ministerial colleagues in Northern Ireland on economic development issues. We will continue to work with the Executive to rebalance the Northern Ireland economy and grow the private sector.

David Morris: Does the Minister agree that the inspirational visit to China by the Prime Minister shows that we should redouble our efforts on exporting?

Mr Swire: Yes, I certainly do. Invest Northern Ireland has recently led trade missions to Brazil, South Africa and Vietnam, and 35 Northern Ireland companies from across the sector went with it. What is going on in China should work as an incentive to others to export. Let me pay tribute to a company that I visited the other day in Ballymena—and I see that the hon. Member for North Antrim (Ian Paisley) is present. Wrightbus has just supplied 450 double-decker buses to Singapore and has won the design project for the replacement of the iconic Routemaster bus here in London. The answer to rebalancing part of the Northern Irish economy is to get—

Mr Speaker: Order. That answer is too long. The Minister will resume his seat, and he must not repeat that.

Ms Margaret Ritchie (South Down) (SDLP): I thank the Minister for his answer. Given the need to provide growth in the Northern Ireland economy and ensure jobs and investment, can he provide assurances to the House that the Prime Minister, on his current trade mission to China, is aware not only of the need to rebalance the economy in Northern Ireland but of the products that could be exported as part of international trade—and also of the fact that the Government are about to publish a paper on the Northern Ireland economy and corporation tax?

Mr Swire: Of course the Prime Minister continues to take an interest in Northern Ireland. The food, drink and tobacco sectors account for 45% of total sales and 46% of external sales. These figures could and should increase, and the Secretary of State and I will work with the devolved Administration, in whatever way we are asked, to support any incentive of that kind.

Ian Paisley (North Antrim) (DUP): Will the Secretary of State commit to making representations to the Treasury regarding alterations to how tobacco tax is lifted, so that the Treasury can receive a bigger taxation take while allowing the industry to invest in securing jobs in Northern Ireland?

Mr Swire: The hon. Gentleman has in his constituency the Gallaher Group, which my right hon. Friend the Secretary of State visited recently. The loss to the United Kingdom economy from contraband cigarettes and forfeited duty is in the region of £2 billion to £3 billion a year. We should consider that closely, and continue to make representations in that regard.

Naomi Long (Belfast East) (Alliance): Is the Minister as concerned as those of us who come from Northern Ireland that recent reports show a third quarter fall in growth in the private sector in Northern Ireland, and will he therefore redouble his efforts to rebalance the Northern Ireland economy more effectively?

Mr Swire: Clearly, Northern Ireland is not immune to what is going on in the rest of the world—one has only to look over the border at what is going on in Ireland to see that. We work very closely with Northern Ireland on rebalancing the economy and we have the support of the Finance Minister, who, along with the Minister of Enterprise, Trade and Industry, is meeting the Select Committee on Northern Ireland Affairs this afternoon to discuss corporation tax. We must leave no stone unturned in our attempts to rebalance Northern Ireland's economy and, critically, to provide well-paid and sustainable jobs.

Mr Speaker: Unless I am mistaken, the hon. Member for Morecambe and Lunesdale (David Morris) did not put a supplementary question to the substantive question. If he did he can nod his head, but if he did not, he should do so.

David Morris *indicated assent.*

Mr Speaker: He did; he is happy. He is sanguine about it.

The Disappeared

2. **Gavin Williamson** (South Staffordshire) (Con): What recent progress has been made on locating the disappeared. [22148]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): In July, the Independent Commission for the Location of Victims' Remains successfully recovered the remains of Charlie Armstrong, and it awaits DNA confirmation regarding remains it believes to be those of Gerard Evans and Peter Wilson. This would take the total number of disappeared who have been located to nine.

Gavin Williamson: Is it still the case that the ICLVR is to be wound up at the end of this year?

Mr Swire: May I pay tribute to the excellent work of the ICLVR, particularly Geoff Knupfer and Jon Hill, who do such good work, as I have seen for myself? I met the Wilson family just before the find was announced, and I can testify to the very serious effect that it has on families who have waited for many, many years to find their loved ones so that they can be placed in a grave and they can go to see them regularly. That achieves closure for many people. The commission is a joint initiative between the Irish and the British Governments. It is led entirely by intelligence, and we will continue to be led by intelligence—

Mr Speaker: Order. The Minister will have to practise. He is far too long-winded, and that has got to change.

Eric Joyce (Falkirk) (Lab): The Minister refers to the recovery of remains, which is a painful reminder of the need to deal with the legacy of the past in Northern Ireland. If the Secretary of State decides to place any new obligations on the Historical Enquiries Team, will he ensure that it is fully and properly funded to undertake them?

Mr Swire: The two bodies are entirely different. We believe that the HET is a good organisation and should be properly resourced, as we believe that it represents the way forward.

Mr James Gray (North Wiltshire) (Con): The whole House will think fondly of that gallant soldier Captain Robert Nairac of the Grenadier Guards, who was so brutally killed by the IRA. Does the Minister have any up-to-date information about whether his remains may yet be discovered?

Mr Swire: My hon. Friend is right to draw attention to that. Alas, Captain Nairac is not alone. A considerable number of bodies have yet to be located, and that we hope that will happen in due course.

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): The Minister has already referred to the winding up of the commission dealing with the disappeared. Does he think that is wise, and does he think it is wise also to wind up the Independent Monitoring Commission, given the ongoing paramilitary activity in Northern Ireland?

Mr Swire: The right hon. Gentleman may have misheard me. I have not said that we will wind up the former. With reference to the latter, we announced that there would be one more valedictory report. It was established in the first place to monitor the connections between elected representatives and paramilitaries. We believe that that is no longer appropriate or necessary.

Lady Hermon (North Down) (Ind): Would the Minister kindly give me a commitment that fresh efforts will be made to retrieve my young constituent, Lisa Dorrian, who was murdered and disappeared by those with loyalist paramilitary connections five years ago? That is five long Christmases for the family, who deserve closure. What fresh efforts are being made to retrieve her body?

Mr Swire: The hon. Lady is entirely correct, but she must understand that the responsibility of the Northern Ireland Office in these matters is limited, and quite properly so. The ICLVR is an independent organisation and responds to intelligence provided to it—very often anonymous intelligence. I hope that it will listen to what the hon. Lady has said, but it will respond only when the intelligence comes. I hope that those who have any understanding or any knowledge will bring that forward.

Barnett Formula Funding

3. **Tom Greatrex** (Rutherglen and Hamilton West) (Lab/Co-op): What recent discussions he has had with private sector companies in Northern Ireland on the effects on them of changes in Barnett formula funding for Northern Ireland consequent upon the outcomes of the comprehensive spending review. [22149]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): My right hon. Friend the Secretary of State and I have regular discussions with people from the private sector in Northern Ireland. I have found a widespread recognition that the public sector can and should respond by delivering better value, and support for the objective that we and the Executive share of rebalancing the Northern Ireland economy.

Tom Greatrex: The Minister will be aware of the recent report from PricewaterhouseCoopers stating that 36,000 jobs will be lost in Northern Ireland as a result of the Government's policies—20,000 in the public sector and a further 16,000 in the private sector. What estimate has he made of the cost to the taxpayer of those 36,000 people currently in work being made unemployed by the Government's policies?

Mr Swire: The hon. Gentleman was not in the House at the time, but these are not the Conservative and Liberal Democrat parties' cuts. These are Labour's cuts—*[Interruption.]* Northern Ireland has done better out of the spending review than it was led to believe would have been the case under the previous Government. It is in the interests of everybody in the House to talk up Northern Ireland, to attract inward investment and to rebalance the economy so that it is not so dependent on the public sector. That is the way forward for Northern Ireland, and I hope the hon. Gentleman will support us on that.

Alun Cairns (Vale of Glamorgan) (Con): Does the Minister agree that to reform the Barnett formula, all the devolved nations would need to agree to a process, and that if one nation, such as the Scottish Government, refused to participate in that process, that would be showing disrespect to all the others?

Mr Swire: Of course I am aware of the House of Lords Select Committee report on the Barnett formula, the Holtham Commission on Welsh funding and other commentators on the system of devolution funding. At present we are trying to get the public finances under control to get the economy moving again. Any change in the system of funding the devolved Administrations must wait for the stabilisation of the public finances.

Sammy Wilson (East Antrim) (DUP): One of the impacts on the private sector will be the huge reduction of 40% in capital spending over the next four years, and there is disagreement about whether the settlement honours the St Andrews agreement settlement on capital spending. In the one area where there is dispute, does the capital settlement for Northern Ireland include capital spending on the police? Is that part of the Minister's assessment of the total capital budget for Northern Ireland?

Mr Swire: The hon. Gentleman knows that under the previous Government the reduction was likely to be 50% of capital expenditure. Under us it is 37% over four years. In response to his comments on policing and justice, I can tell him that we stand by the commitments. As he knows, the Northern Ireland Executive's capital allocation of £3.3 billion over the spending review period will permit those costs to be met, but there will be difficult decisions, and unfortunately it is up to the hon. Gentleman, as the Finance Minister at Stormont, to make those difficult decisions. It is up to him and the Executive, and I support his attempts to get them to form a budget.

Robert Halfon (Harlow) (Con): Does my hon. Friend agree that the people of Northern Ireland will welcome the cut in business taxes, which will create real private sector jobs, and the coalition Government's action to deal with the £120 million a day in interest and debt that we are paying?

Mr Swire: Yes, of course. Northern Ireland, like other parts of the United Kingdom, will benefit from those actions, which the incoming Government took very quickly. Beyond that, however, we are thinking about how, in the long term, we can stop the dependency on the public sector, which is disproportionate in Northern Ireland. In that context, one way forward will be to look at the whole issue of corporation tax.

Comprehensive Spending Review

4. **Gemma Doyle** (West Dunbartonshire) (Lab/Co-op): What assessment he has made of the likely effects on security in Northern Ireland of the outcomes of the comprehensive spending review; and if he will make a statement. [22150]

The Secretary of State for Northern Ireland (Mr Owen Paterson): Following the outcome of the 2010 spending review, it is for the Northern Ireland Executive to decide how funds are allocated to the Northern Ireland Departments. It will be for the Northern Ireland Justice Minister and the Chief Constable of the Police Service of Northern Ireland, in the first instance, to negotiate the PSNI budget with the Executive. My right hon. Friend the Prime Minister and I have made it clear that we will protect the people of our country from the terrorist threat with every means at our disposal.

Gemma Doyle: I thank the Secretary of State for his response. He will appreciate that people in Northern Ireland and throughout the UK will be concerned about the impact of spending cuts on peace and security in Northern Ireland. Can he assure the House that the comprehensive spending review will not impact on front-line community policing in Northern Ireland? That is something that the Minister stopped short of saying in response to an earlier question.

Mr Paterson: We have been absolutely clear that we will stand by Northern Ireland. We will do what is necessary to bear down on that threat, but the first port of call is for the Justice Minister and the Chief Constable to negotiate with the Executive on the very substantial allocation of public money that has been granted to them in the spending round.

Mr Laurence Robertson (Tewkesbury) (Con): The Select Committee on Northern Ireland met the assistant commissioner of the Garda two days ago, and he assured us that in spite of the financial difficulties in Ireland they would continue to police the border, in particular, in the same way. He said that there would be absolutely no reduction in their efforts. Can the Secretary of State give us the same assurance today?

Mr Paterson: Emphatically yes. We have exceptional co-operation with the Garda, and I should like to congratulate them on their seizure of a significant amount of armaments at Dunleer woods in County Louth. Emphatically yes: we will work extremely closely with them and match their effort.

Mr Gregory Campbell (East Londonderry) (DUP): The Secretary of State will be aware of the deteriorating security situation in parts of Northern Ireland due to the dissident threat. Will he be open to an approach, should it be required, for additional resources to deal with that threat as it materialises over the winter months?

Mr Paterson: We have been clear, from the early negotiations that I had with the shadow Secretary of State, when he was Secretary of State, that we would endorse the very substantial policing settlement that the previous Government negotiated with the Northern Ireland Executive. That was quite clear. Should there be security pressure, and should the security position deteriorate, it would be right for the Justice Minister and the Chief Constable to come to us and ask for contributions from the national reserve.

Security Situation

5. **Andrew Stephenson** (Pendle) (Con): What his most recent assessment is of the level of threat posed by terrorist groups in Northern Ireland. [22151]

7. **Ian Murray** (Edinburgh South) (Lab): What his most recent assessment is of the security situation in Northern Ireland. [22153]

The Secretary of State for Northern Ireland (Mr Owen Paterson): The threat level in Northern Ireland remains at severe. We are not complacent, but I am pleased to tell the House that this year, following eight further arrests this morning, there have been 195 arrests and 71 persons have been charged with terrorist offences. That compares with 106 arrests and 17 charges in the whole of 2009. I commend the security forces for their continued successes in frustrating the efforts of residual terrorist groups. The coalition Government are committed to continuing to promote peace, stability and economic prosperity in Northern Ireland, and standing firmly behind the agreements negotiated and the institutions that they established.

Andrew Stephenson: I thank my right hon. Friend for that answer. The national security strategy has highlighted the fact that there have been 37 separate attacks this year, so the threat from residual terrorist groups remains high. What steps is he taking to combat that threat?

Mr Paterson: I am grateful for my hon. Friend's question. We have taken this to the highest level of Government. We presented a paper to the National Security Council, and as a result of that, the threat from Northern Ireland has been put in tier 1 in the national security strategy.

Ian Murray: The latest Independent Monitoring Commission report highlights the continuing involvement of dissident republicans in very serious levels of criminal activity. Will the Minister assure the House that all resources will be made available to ensure that that threat does not continue?

Mr Paterson: I repeat that we are working extremely closely with the devolved Administration and the Dublin Government on bearing down on this threat, and we will do what is necessary.

Mr Nigel Dodds (Belfast North) (DUP): Will the Secretary of State acknowledge the deep anger among all sections of the community in Northern Ireland at the growing level of attacks by paramilitaries—with, indeed, activity on both sides, but particularly among dissident republicans? People are looking for action to be taken, and for co-operation between the agencies for which he is responsible and the Northern Ireland Executive to deal with this problem urgently.

Mr Paterson: The right hon. Gentleman is right to make that comment. That is why we produced a substantial paper for the National Security Council, which was discussed at the highest level; and that is why we are working so closely with the devolved Administration and the Justice Minister, to whom I spoke this morning, and the Government in Dublin. We are determined to work at all levels to end this security problem.

Mr Dodds: I thank the Secretary of State for his answer, and acknowledge the work that he is doing in terms of the tier 1 level of threat assessment in Northern Ireland. However, the fact that the recent bomb find at East Midlands airport happened on the same day as a bomb find at Belfast City airport shows the level of threat against citizens right across the United Kingdom. Can we be assured that while the threat of al-Qaeda is a priority, the threat in Northern Ireland is also treated as a top priority?

Mr Paterson: The right hon. Gentleman is right to point out that these threats affect us all in the United Kingdom. That is why the threat from Northern Ireland has been placed in the No. 1 category—in tier 1.

Mr Shaun Woodward (St Helens South and Whiston) (Lab): The Secretary of State and his right hon. Friend the Prime Minister gave an unambiguous undertaking before the Hillsborough Castle agreement that the previous Government's financial arrangements for the devolution of policing and justice would be upheld. In relation to the security situation, this unequivocally included a commitment that the Northern Ireland Executive would have access to the reserve. Can the Secretary of State confirm that he continues to stand by that commitment, without any new conditions being imposed by the Treasury?

Mr Paterson: I am grateful to the right hon. Gentleman for his question. I have said this already, but I am happy to look him in the eye and repeat it. Should the security situation deteriorate, then—according to the agreement that the previous Government, in which he was Secretary of State, made with the then Executive—the Justice Minister and the Chief Constable have the right to approach the Government with a clear strategy on security grounds in order to call on the national reserve.

Mr Woodward: I am grateful for that reply. We all note the decision to raise the threat level here in Great Britain, and the Secretary of State can be assured that the Opposition fully support the decision to address the problems created by that threat. Given the level of recent attacks in Northern Ireland, including the recent use of a hand grenade, and given the need for the response to be measured, proportionate and joined up, would a request by the First Minister and Deputy First Minister to meet the Prime Minister as soon as possible be fully supported by the Secretary of State?

Mr Paterson: The Prime Minister made regular visits to Northern Ireland when he was Leader of the Opposition. He met the First Minister and Deputy First Minister then, to discuss a broad range of issues. He intends to go back to Northern Ireland, and at that time he will have the opportunity to discuss matters with them. If the right hon. Gentleman is referring specifically to the budget settlement, it is appropriate that the First Minister and Deputy First Minister first discuss that with me, having done their utmost to come to an agreement and consensus in the Executive on a budget for the substantial funds that have been allocated to them in this spending round.

Parliamentary Voting System and Constituencies Bill

6. **Mark Durkan** (Foyle) (SDLP): What discussions he has had with ministerial colleagues on the implications for Northern Ireland of the provisions of part 2 of the Parliamentary Voting System and Constituencies Bill. [22152]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): My right hon. Friend the Secretary of State and I have had regular discussions with ministerial colleagues and with elected representatives in Northern Ireland on the provisions of the Parliamentary Voting System and Constituencies Bill, and will continue to do so as the Bill continues its progress through both Houses.

Mark Durkan: Does the Minister recognise that as it stands, part 2 of the Bill has serious implications for the Northern Ireland Assembly, whose constituencies are meant to be coterminous with parliamentary constituencies? Reviews every five years that could put those constituencies out of circle, or change the total number of constituencies in Northern Ireland, will be hugely unsettling. Will he take steps to ensure that full consideration is undertaken with the authorities in the Northern Ireland Assembly, as well as with his ministerial colleagues?

Mr Swire *rose—[Interruption.]*

Mr Speaker: Order. I want to hear the Minister's reply.

Mr Swire: Thank you, Mr Speaker.

The hon. Gentleman raised this matter during the passage of the Bill. It is true that coterminosity between the parliamentary and Assembly seats has worked well, and the amended rules can continue to provide for the Electoral Commission to take that into account. I should say to him that as he knows, the size of the Assembly is up to the Assembly, not to Parliament or to this House through the Bill.

Presbyterian Mutual Society

8. **Jonathan Reynolds** (Stalybridge and Hyde) (Lab/Co-op): When the Government plan to disburse their proposed financial assistance to savers with the Presbyterian Mutual Society. [22154]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): In the spending review announcement, my right hon. Friend the Chancellor of the Exchequer announced that the Government would meet in full a £175 million loan and £25 million in cash to fund the Northern Ireland Executive's proposal to resolve the PMS crisis.

Jonathan Reynolds: I thank the Minister for that response, but given that the Government's proposals are a carbon copy of what my right hon. Friend the former Prime Minister announced, why did the Secretary of State delay the announcement by six months, causing unnecessary suffering and misunderstanding for the people who had lost money in the PMS?

Mr Swire: There is a fundamental difference between what the previous Government did and what the current Government have done about the problems connected with the PMS: we have actually done something. We have responded to the request from the Executive in full. We stand by the Prime Minister's commitment, and we are very pleased that we were able to act so swiftly—unlike some others.

Dissident Violence

9. **Patrick Mercer** (Newark) (Con): What assessment he has made of the reasons for the recent increase in the level of dissident violence in Northern Ireland. [22156]

The Secretary of State for Northern Ireland (Mr Owen Paterson): This violence is a direct response to the continued political progress in Northern Ireland. Those people are outdated and backward-looking. All that they have to offer is to destabilise the peace process and disadvantage the people of Northern Ireland, but they will not succeed. The Government take the terrorist threat in Northern Ireland extremely seriously. There have been 39 attacks so far this year, compared with 22 throughout 2009.

Patrick Mercer: I heard what the Secretary of State had to say earlier about the operations of the police in the Republic. Can he also give me some assurance that there is intelligence sharing between the Northern Irish Government and that in Dublin?

Mr Paterson: I am most grateful to my hon. Friend for his question, and for his interest in Northern Ireland affairs. I do not think I can give a better example than the fact that the current Chief Constable always had good relations with his neighbour when he was chief constable of Leicestershire, but has said that his relations with Fachtna Murphy, the Garda commissioner, are even better. I should like publicly to pay tribute to Fachtna Murphy, who is, sadly, retiring at the end of the year. He has been a great friend of Northern Ireland. The collaboration between the Garda and the PSNI is at an exceptional level, and I look forward to helping it continue.

David Simpson (Upper Bann) (DUP): The Secretary of State will be aware of the recent series of dissident republican operations in my constituency, including the bomb at a railway bridge and a previous bomb that almost killed three local children. Does he share the Chief Constable's current assessment of the levels of resources and manpower available to the PSNI?

Mr Paterson: I am grateful for that question. I am also pleased to send on my sympathies to the hon. Gentleman's constituents who have been subject to such intolerable attacks, which, thankfully, have not caused death or injury. Last week the Chief Constable said:

"We are absolutely putting huge resources back in, we are going to sustain that next year and the year after until those responsible are brought to justice or they can be persuaded to give up."

Fisheries (EU Legislation)

10. **Jim Shannon** (Strangford) (DUP): What assessment he has made of the effects on the Northern Ireland fishing fleet of the operation of EU legislation on working time; and if he will make a statement. [22157]

The Minister of State, Northern Ireland Office (Mr Hugo Swire): Responsibilities here are divided: fisheries generally are a devolved matter, but the UK Government have led on aspects of the EU working time directive as it applies to fishing vessels.

Jim Shannon: EU legislation includes a fundamental right to work. What steps has the Minister taken with his European counterparts to ensure that the fishermen of Portavogie, Ardglass and Kilkeen, who have had their days at sea restricted, have a right to work?

Mr Swire: I understand that Diane Dodds and other Northern Ireland MEPs are working hard to address some of the difficulties experienced by the fishing industry in Northern Ireland, particularly in relation to the matter that the hon. Gentleman raises. I must stress though that fishing matters are partly devolved. None the less, I undertake to look into the matter, write to the hon. Gentleman in due course and put a copy of the letter in the Library.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [22884] **Jason McCartney** (Colne Valley) (Con): If he will list his official engagements for Wednesday 10 November.

The Deputy Prime Minister (Mr Nick Clegg): I have been asked to reply. My right hon. Friend the Prime Minister has been leading a major Government and trade delegation to China, and is now travelling to Seoul for the G20 summit.

I am sure that the whole House will wish to join me in paying tribute to Senior Aircraftman Scott Hughes of 1 Squadron Royal Air Force Regiment, who died in Cyprus on Sunday while returning from operational service in Afghanistan. He was a professional and brave airman, and it is very sad that he died while returning home from a tour of duty. Our thoughts are with his family and loved ones.

This week, on the eve of Remembrance day, we especially remember all those who have given their lives in the service of our country, both in recent years and through previous generations. The sacrifices made by our servicemen and women for our peace and freedom must never be forgotten.

On a much happier note, let me, on behalf of the Government, extend our warmest congratulations and best wishes to the Leader of the Opposition and his partner, Justine, on the birth of their baby son. It is wonderful news and we really are thrilled for them.

Jason McCartney: A 12-year-old haemophiliac from Lindley in Huddersfield was injected with contaminated blood products, giving him HIV, hepatitis C and CJD. When will he and the 2,000 other survivors of this shocking scandal get fair compensation?

The Deputy Prime Minister: I know that my hon. Friend is a vigorous campaigner for all those whose lives have been so tragically affected by contaminated blood. It really is a dreadful catastrophe for all those affected. The Under-Secretary of State for Health, my hon. Friend the Member for Guildford (Anne Milton), intends to report by the end of the year on the outcome of the current review to see what more can be done for those affected by contaminated blood. Tomorrow, Health Ministers will hold an open meeting in Westminster Hall at which hon. Members from all parts of the House and peers from the other place can raise their concerns.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I join the Deputy Prime Minister in paying tribute to Senior Aircraftman Scott Hughes of 1 Squadron Royal Air Force Regiment. We honour his memory and send condolences to his family. We will remember all our servicemen and women on Remembrance day. I should like to echo, too, the right hon. Gentleman's best wishes to the Leader of the Opposition and Justine on the birth of their new baby.

In April, the Deputy Prime Minister said that it was his aim to end university tuition fees. Will he update the House on how his plan is progressing?

The Deputy Prime Minister: Of course I acknowledge that this is an extraordinarily difficult issue, and I have been entirely open about the fact that we have not been able to deliver the policy that we held in opposition. Because of the financial situation and because of the compromises of the coalition Government, we have had to put forward a different policy—*[Interruption.]*

Mr Speaker: Order. I want to hear the Deputy Prime Minister's update.

The Deputy Prime Minister: None the less, we have stuck to our wider ambition to make sure that going to university is done in a progressive way, so that people who are currently discouraged from going to university—bright people from poor backgrounds, who are discouraged by the system that we inherited from the right hon. and learned Lady's Government—are able to do so. That is why our policy is more progressive than hers.

Ms Harman: Well, I am glad that the Deputy Prime Minister thinks it is so fair. I hope he will be going out and telling that to all the students and lecturers who are marching on Westminster today. In April he said that increasing tuition fees to £7,000 a year would be a "disaster". What word would he use to describe fees of £9,000?

The Deputy Prime Minister: I think there is more consensus than the right hon. and learned Lady concedes on the simple principle that people who benefit from going to university should make a contribution to the cost of that university education. The question is: how do we do it? Do we do it fairly and in a progressive way? The proposals that we have put forward will mean that those who earn the least will pay much less than they do at the moment—while those who earn the most will pay over the odds to provide a subsidy to allow people from poor backgrounds to go to university—and will, for the first time, end the discrimination against the 40% of people in our universities who are part-time students, who were so shamefully treated by her Government.

Ms Harman: None of us agrees with tuition fees of £9,000 a year. This is not about the deficit: the Chancellor said that the deficit would be dealt with by 2014, when the new system will hardly have begun. No, this is not about the deficit; this is about the Deputy Prime Minister going along with a Tory plan to shove the cost of higher education on to students and their families. We all know what it is like, Mr Speaker. You are at Freshers' week. You meet up with a dodgy bloke and you do things that you regret. Is not the truth of it that the Deputy Prime Minister has been led astray by the Tories?

The Deputy Prime Minister: I know that the right hon. and learned Lady now thinks that she can reposition the Labour party as the champion of students, but let us remember the Labour party's record: against tuition fees in 1997, but introduced them a few months later; against top-up fees in the manifesto in 2001, then introduced top-up fees. Then Labour set up the Browne review, which it is now trashing, and now the Labour party has a policy to tax graduates that half the Front-Bench team does not even believe in. Maybe she will go out to the students who are protesting outside now and explain what on earth her policy is.

Ms Harman: As a result of the Deputy Prime Minister's plans, English students will pay among the highest fees of any public university system in the industrialised world, and why? It is not to give universities more funds, but to replace the cuts that he is making to university teaching. Can he tell the House what the percentage cut to the university teaching grant is?

The Deputy Prime Minister: I can certainly confirm that the right hon. and learned Lady and her party also had plans to make massive cuts in the budget of the Department for Business, Innovation and Skills, which would have affected higher education. Here are a few facts. Every single graduate under our scheme will pay less per month than they do under the scheme that we inherited from Labour. The bottom 25% of earners will pay much less in their contributions to their university education than they do at the moment. Part-time students will pay no up-front fees, and not a single student will pay a penny of up-front fees whatsoever. It is a fair and progressive solution to a very difficult problem.

Ms Harman: It looks as though the right hon. Gentleman has been taking lessons from the Prime Minister on how not to answer the question. I asked him about the cut in the teaching grant. The truth is that it is a staggering 80%—80%. No wonder he is ducking the question. The real reason he is hiking up fees is that he is pulling the plug on public funding, and dumping the cost on to students. Is that not why he is betraying his promise on tuition fees?

The Deputy Prime Minister: The graduate tax that the right hon. and learned Lady advocates would be more unfair and would allow higher earners to opt out of the system altogether. We all agree—she agrees—across the House that graduates should make some contribution for the benefit of going to university. The question is, how? We have a progressive plan; she has no plan whatsoever.

Ms Harman: But during the election, the right hon. Gentleman hawked himself around university campuses pledging to vote against tuition fees. By the time Freshers' week was over, he had broken his promise. Every single Liberal Democrat MP signed the pledge not to put up tuition fees; every single one of them is about to break that promise. He must honour his promise to students and their families throughout the country. Will he think again?

The Deputy Prime Minister: It is quite something to take lectures from the right hon. and learned Lady about party management after the mutiny in the parliamentary Labour party on Monday—*[Interruption.]* Labour Members are cheering her now, but they certainly were not at the mutiny on Monday night. The truth is that before the election we did not know the unholy mess that would be left to us by her party. On this issue, as on so many, the two parties on this side of the House have come together to create a solution for the future. The two parties on this side of the House have one policy; the Labour party has two policies.

Duncan Hames (Chippenham) (LD): In the international dialogue about democracy that we are witnessing, what would my right hon. Friend say to those who welcomed the elections in Burma, which were nothing more than an utter sham?

The Deputy Prime Minister: I strongly agree that those elections were a complete and utter sham. Their conclusion was already decided well before they took place, with reserved seats for the military, and reserved seats for parties that were put up by the military. They are simply swapping their military uniforms for civilian clothing, but keeping their iron dictatorial grip on the people of Burma. Aung San Suu Kyi should be released when her house arrest comes up for review in the coming days, and real democracy should finally be introduced in Burma.

Q2. [22885] **Tom Greatrex** (Rutherglen and Hamilton West) (Lab/Co-op): Given that we all know how important consistency is to the Deputy Prime Minister, will he explain to the House why his Chief Secretary to the Treasury is pictured on the Liberal Democrat website leading the campaign against selling off forestry in Scotland, at the same time as he is proposing that in England?

The Deputy Prime Minister: The poor Chief Secretary to the Treasury is picked on all the time—first for being ginger. Did the right hon. and learned Member for Camberwell and Peckham (Ms Harman) make an impact assessment of her outrageously discriminatory remarks?—*[Interruption.]*

Mr Speaker: Order. First, the Deputy Prime Minister must be heard. Secondly, the public thoroughly disapprove of this level of destructive barracking from wherever in the House it comes: note that, and learn from it.

The Deputy Prime Minister: I was simply making the point that any form of discrimination against rodents or ginger-headed folk is wrong.

As the hon. Member for Rutherglen and Hamilton West (Tom Greatrex) knows, on forestry issues, as on many others, there is a devolved division of responsibility. He should know that better than anyone else.

Q3. [22886] **Charlie Elphicke** (Dover) (Con): Will my right hon. Friend tell the House whether the Prime Minister received the "people's port" community mutual's bid for the port of Dover? Will he allow a community right to buy, or will it be another British icon sold overseas, as the previous Labour Government planned?

The Deputy Prime Minister: Of course I am pleased, as no doubt everyone is, that there is such a strong community interest in the future of the port of Dover. Campaigners have received stellar backing, and I wish their campaign all the very best of luck. As my hon. Friend knows, the port's assets are owned by Dover harbour board, not by the Government. The Minister of State, Department for Transport, my right hon. Friend the Member for Chipping Barnet (Mrs Villiers) is considering proposals for a scheme that would allow the board to sell the port, so it would be inappropriate for me to comment further on that decision.

Q4. [22887] **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): AgustaWestland is an excellent company providing skilled manufacturing jobs in Yeovil. Sheffield Forgemasters is also an excellent company, providing skilled manufacturing jobs in Yorkshire. Why did the Government decide to support one and not the other?

The Deputy Prime Minister: Of course I agree with the hon. Lady that both are outstanding companies. The difference is that the announcement of the decision to provide a loan to Sheffield Forgemasters was made 11 days before the general election, when there was no money in this year's budget to make that promise. It was a promise made by the previous Labour Government

knowing that the cheque would bounce. We have made a decision on Westland in the light of our difficult, controversial decisions to bring sense to the public finances. That is the difference.

Q5. [22888] **Andrew Stephenson** (Pendle) (Con): The Deputy Prime Minister might be aware that, in response to the comprehensive spending review, the three most senior officers of Pendle borough council have announced a wage cut of 27%. In contrast, the chief constable of Lancashire police, Steve Finnigan, has started a 90-day consultation on making all Lancashire's police community support officers redundant. Does my right hon. Friend agree that the chief constable should think again and that he should support our PCSOs—*[Interruption.]*

Mr Speaker: Order. I want to hear the Deputy Prime Minister's reply.

The Deputy Prime Minister: Of course I welcome the decision by Pendle borough council and its executive directors to reduce the council's wage bill. My right hon. Friend the Secretary of State for Communities and Local Government has called on all local authority chief executives earning £200,000 a year to take a 10% pay cut, and those on £150,000 to take a 5% cut. They need to make sacrifices, just as everyone else is. On policing, of course I understand everyone's attachment to PCSOs, but it would be a flagrant breach of the traditions of policing in this country if we were to start second-guessing chief constables. I think we all want more visible policing; it cannot be right that the system we inherited from Labour means that only 11% of police officers are ever seen on our streets at any one time. That is wrong and it must change.

Q6. [22889] **Gavin Shuker** (Luton South) (Lab/Co-op): Tens of thousands of students have gathered outside this place today to oppose the right hon. Gentleman's shameful policy of tripling student debt. He received a request to address the crowd, but as yet no response has been received. May I give him the opportunity to give that response now?

The Deputy Prime Minister: As the hon. Gentleman knows, I meet student leaders and representatives of the National Union of Students all the time. I hope that, when he joins the demonstrators, the first thing he will do is explain what on earth his party's policy is. We have a policy; he has no policy and no plan, and is giving no hope to future generations of students.

Q7. [22890] **Brandon Lewis** (Great Yarmouth) (Con): My right hon. Friend might be aware of the great work being done by the East of England Energy Group, and by the borough councils, the county council and local small companies in Norfolk to ensure that Great Yarmouth and East Anglia benefit from economic growth and regeneration through the energy markets. Will he and the Government support our work to ensure that East Anglia gets a fair and even chance to bid for the opportunities that these new markets can provide?

The Deputy Prime Minister: I strongly agree with my hon. Friend that renewable energy is one of the great industries of the future, and we are doing everything we can to support those areas that want to exploit the opportunities. We have committed £1.4 billion to a regional growth fund, and we are establishing a green investment bank with the explicit aim of creating further investment opportunities in green infrastructure in areas where private sector investment is currently constrained. I am delighted to hear about the way in which councils, businesses and the not-for-profit sector in Norfolk are working so effectively together.

Sheila Gilmore (Edinburgh East) (Lab): In answer to a question that I asked last week, the Minister for Further Education, Skills and Lifelong Learning indicated that the major reason for his proposals on fees was to change the way in which higher education was funded, and to shift the burden from the state to the student. How does the Deputy Prime Minister square that with his party's view that the proposals are a deficit reduction measure only, and that they could be changed in the future?

The Deputy Prime Minister: As I said earlier, I think every Member agrees that the funding for universities should be a mixture of direct support from the state and contributions made by—*[Interruption.]* As soon as we came into government, we looked exhaustively at the option of a graduate tax, which was proposed by some Labour Members and by the National Union of Students, but we discovered that that would be much more unfair and would allow particularly high earners to opt out of the system altogether, compared to the progressive system of graduate contributions that we are proposing now.

Q8. [22891] **Eric Ollerenshaw** (Lancaster and Fleetwood) (Con): Her Majesty's Revenue and Customs has a business payment support service, which has helped many businesses in my constituency that have met short-term problems to achieve a delayed payment of taxes—sometimes the taxman can help, apparently. Does my right hon. Friend agree that this is a valuable service and that HMRC, alongside every other part of Government, should provide as much flexibility and support as possible for business, if we are get out of the recession left to us by the previous Government?

The Deputy Prime Minister: I strongly agree with my hon. Friend. I think that HMRC's business payment support service is indeed, as he says, a very valuable and important service, and it remains in place. By the end of September this year, 371,200 arrangements had been granted, worth £6.38 billion. That is extraordinarily valuable to small and medium-sized enterprises, which are indeed struggling and deserve all the support they require to power us out of this difficult economic environment.

Paul Blomfield (Sheffield Central) (Lab): The Minister for Universities and Science has made it clear that all public funding will be withdrawn from non-STEM subjects in universities. Last Wednesday, the Minister for Further Education, Skills and Lifelong Learning told a Westminster Hall debate:

"We will continue to support the arts through the subsidy for teaching in universities."—[*Official Report*, 3 November 2010; Vol. 517, c. 315WH.]

Who is right?

The Deputy Prime Minister: The statement we made was very clear. I hope the hon. Gentleman will accept that the model of mixed financing for our universities—partly from the Government and partly from graduates, who, as he knows, stand to benefit on average from tens of thousands in extra earnings because they have a university degree—is one that we are preserving and building on in a progressive manner.

Q9. [22892] **Caroline Dinenage** (Gosport) (Con): In Gosport, our Sure Start centres provide valuable support to some of our most vulnerable people, which proves that even the Labour party can get something right. I welcome the Government's continued support for Sure Start, but will the Deputy Prime Minister please reassure me that the programme will be refocused so that those in the greatest need get the greatest support?

The Deputy Prime Minister: I strongly agree. Sure Start children's centres play a vital role in helping families and giving them the help when they need it through early intervention. That is why we announced in the spending review that Sure Start funding will be maintained in cash terms. As for how that funding is allocated to reflect deprivation, which was the hon. Lady's question, the money is already weighted so that local authority areas with higher levels of disadvantage get more funding than others and, of course, local authorities have a high degree of flexibility and latitude themselves—and we do not propose to change that system at all.

Emily Thornberry (Islington South and Finsbury) (Lab): May I bring the right hon. Gentleman back to higher education? He says that higher education should be paid partly by the individual and partly by the state, but the confusion that the people of Islington will have is that the right hon. Gentleman was not saying that in April, so when did he change his mind? In the best possible scenario, if we had a fantastic economy and no debt at all, would he still believe that higher education should be paid partly by the student and partly by the state?

The Deputy Prime Minister: I find it extraordinary that the hon. Lady can piously ask questions about changing one's mind on this issue, when her party said no to fees in 1997, and introduced them; said no to top-up fees in the manifesto of 2001, and introduced them; said yes to the Browne review, but now says no to it; says yes to some graduate taxes, but no to others. Labour Members should make up their minds.

Q10. [22893] **Julian Sturdy** (York Outer) (Con): As the coalition continues to stabilise our economy, will the Deputy Prime Minister assure my constituents that providing long-term relief and support for small and medium-sized businesses remains high on the Government's priority list?

The Deputy Prime Minister: Yes, absolutely, as I said in answer to the earlier question. Over the past six months, we have taken a number of steps to help small and medium-sized enterprises: reducing the small profits rate of corporation tax from 21% to 20% from April next year; introducing new rules whereby for any new regulation, another one must be scrapped; the new enterprise capital fund of £37.5 million to provide additional equity finance; and of course the enterprise finance guarantee fund, which will be increased by £200 million. That is real support for the wealth creators of the future.

Q11. [22894] **Meg Munn** (Sheffield, Heeley) (Lab/Co-op): On 6 May, hundreds of the Deputy Prime Minister's constituents and hundreds of mine in Sheffield were denied the right to vote because of current legislation. Why has the Deputy Prime Minister not taken the opportunity of legislation before Parliament to change the law, so that in future all those in the polling station at close of poll are allowed to vote?

The Deputy Prime Minister: I am acutely aware of the problem. I visited polling stations several times on that day, and saw the huge queues of people, many of whom were denied their democratic right to exercise a vote. The question is: what do we do about it? I happen to think that, in this instance, simply passing a law will not deal with the problem, which was a lack of resources and poor organisation by the returning officer, who acknowledged as much, as the hon. Lady knows, in Sheffield. That is what we need to address; we should not always simply reach for the statute book.

Tim Farron (Westmorland and Lonsdale) (LD): The partnership between schools and universities in the provision of teacher education is absolutely critical, and at the moment it works terribly well. The university of Cumbria is Europe's largest provider of newly qualified teachers. Will the Deputy Prime Minister assure me that universities such as mine, which provide teacher education, will continue to have a leading role in the training of our teachers of the future?

The Deputy Prime Minister: Of course we must support all those institutions that produce the great teachers of the future. We must have great teachers who can also lift the aspirations of children in this country and particularly of bright young people from poor backgrounds who at the moment feel completely intimidated from going to university. I hope such teachers will explain to those young people that under the new scheme that we have proposed, they have a real route to live out their hopes and dreams at our great universities in the future.

Q12. [22895] **Heidi Alexander** (Lewisham East) (Lab): Yesterday, the National Housing Federation reported that a first-time buyer in London needs a salary of almost £100,000 to buy an average-priced property. In the light of that, will the Deputy Prime Minister tell me how many low-cost homes will not be built in the capital as a result of his Government's decision to cut the affordable housing budget by 63%?

The Deputy Prime Minister: What I do know, of course, is that we inherited a situation in which fewer— *[Interruption.]* They do not like to hear it, but they have to—it is the truth. Fewer and fewer affordable homes were built, and more and more people and families ended up on the waiting list for affordable homes. We have a plan finally to put that right, and to increase the construction of new affordable homes at a rate that the Labour party never achieved.

Mr John Baron (Basildon and Billericay) (Con): Successful counter-insurgency operations in the past, such as in Malaya, suggest that not one of the preconditions for success—control of borders, good troop density levels, a credible Government, and support of the majority of the population—exists in Afghanistan. Does this not beg for a more realistic assessment of the situation?

The Deputy Prime Minister: We have sought to introduce a strong element of realism, not only in the extra resources and support that are required for our troops in Afghanistan, but in the recognition—I think this is the implication of the question—that there is not a military solution to the conflict in Afghanistan. There must be a marriage of a military strategy, which applies pressure on insurgents who want to disrupt the peaceful co-existence of communities and people in Afghanistan, with a political process of reintegration and reconciliation, so that we can leave Afghanistan—

Mr Speaker: Order. May I ask the Deputy Prime Minister to face the House? Otherwise, it is difficult for him to be fully heard. *[Interruption.]* Order. I want to hear the Deputy Prime Minister.

The Deputy Prime Minister: I was always taught to address the person who had asked me the question, Mr Speaker. So let me say, addressing my hon. Friend, that we need to marry a political strategy with a military strategy. Only by balancing the two will we be able to leave Afghanistan with our heads held high, knowing that we have done the difficult job that we were asked to do there.

Q13. [22896] **Tom Blenkinsop** (Middlesbrough South and East Cleveland) (Lab): Apart from the promise to give rapists, murderers and paedophiles the vote, what pre-election promises has the Deputy Prime Minister kept?

The Deputy Prime Minister: I am not sure whether that was a question or merely a line that the hon. Gentleman has rehearsed over and over again over the past few days. As for the issue of prisoner voting rights, in 2005, as he knows, there was a court judgment on which the last Labour Government consulted repeatedly. At some point, regrettably, we need to bring our law into line with the court judgments, and that is what we will now seek to do.

Paul Uppal (Wolverhampton South West) (Con): Is the Deputy Prime Minister aware that, according to a report on Radio 5 Live this morning, after the changes in tuition fees graduates earning £25,000 a year will have to pay back only £30 a month?

The Deputy Prime Minister: Opposition Members simply refuse to acknowledge that the 25% of lowest graduate earners will pay much less than they do now. That seems to me to be a strong indication of the progressive nature of our proposals.

Q14. [22897] **Mr Gregory Campbell** (East Londonderry) (DUP): Business to be dealt with later today includes the Equitable Life (Payments) Bill. Is the Deputy Prime Minister aware of the anger and frustration felt by many thousands of Equitable Life policyholders, will he address that, and will today's business—with, hopefully, his support and that of Members in all parts of the House—reach a more satisfactory conclusion for those policyholders?

The Deputy Prime Minister: As the hon. Gentleman knows, under the last Government there was no prospect of any compensation for Equitable Life policyholders. He will also know that the compensation package that we announced in the comprehensive spending review is far in excess of the compensation levels recommended by the independent review. Of course the situation is difficult, and we would always like to provide more compensation, but the compensation that we are providing is much, much more than many people expected.

Stephen Lloyd (Eastbourne) (LD): The *Times Educational Supplement* recently published a feature article stating how effective the pupil premium would be. Does the Deputy Prime Minister share my frustration at the fact that the Labour party appears to be more interested in scoring partisan points than in supporting the coalition Government's serious attempts—

Mr Speaker: Order. We have got the gist of it, and we are grateful to the hon. Gentleman.

The Deputy Prime Minister: I think that the pupil premium is a significant policy. It puts an end to the system that we inherited from Labour, which meant that if you were a poor child at school in one part of the country a lot of extra money would be allocated to your education, whereas that would not happen if you were a poor child in another part of the country. The pupil premium is attached to children from poor backgrounds wherever they live, to lift their sense of aspiration and to improve the one-to-one tuition support that they need if they are to have the fair chance in life that all children deserve in our country.

Q15. [22898] **Phil Wilson** (Sedgefield) (Lab): Up to 100,000 tenants are paying rent to more than 44,000 private landlords who are being investigated for non-payment of tax on rental income, and 53% of those tenants are receiving housing benefit. What are the Government doing to clamp down on private landlords who fiddle the tax and housing benefit system?

The Deputy Prime Minister: I strongly agree that we should come down very hard on those unscrupulous landlords, who are profiteering from the housing benefit system that was so poorly administered by the previous Government. As the hon. Gentleman will know, rents in the private sector have declined by about 5% over the last year, while rents that depend on housing allowance have increased by 3%. That is why we need to bring some sense and proportion to the way in which we administer housing benefit, which has more than doubled over the past few years.

Point of Order

12.34 pm

Mr Gerry Sutcliffe (Bradford South) (Lab): On a point of order, Mr Speaker. On 1 November, the Home Secretary made a statement in the House on aviation security. The shadow Home Secretary asked her a number of questions that she was not able to answer. She said that she in due course would write to the shadow Home Secretary with the answers. Ten days later, we have not received those answers. I seek your advice, Mr Speaker, on how we can deal with the situation.

Mr Speaker: I am grateful to the hon. Gentleman for giving me notice of his point of order. His complaint will have been heard by Ministers. I hope, from his point of view, that it will also be heeded, and that he will receive the promised answers soon. It may also be helpful for the hon. Gentleman and the House to be reminded that business questions will take place tomorrow. I hope that that is useful.

Support and Protection for Elderly People and Adults at Risk of Abuse

Motion for leave to bring in a Bill (Standing Order No. 23)

12.35 pm

Mr Nigel Dodds (Belfast North) (DUP): I beg to move,

That leave be given to bring in a Bill to promote awareness of abuse of elderly people and adults at risk, to promote training on how to recognise and respond to such abuse amongst those who are likely to encounter abuse in the course of their work, to promote greater awareness and understanding of the rights of victims of abuse amongst agencies with responsibilities for providing, arranging, commissioning, monitoring and inspecting care services, to promote the development of local strategies for preventing abuse of elderly people and adults at risk and for ensuring that victims are assisted in recovering from the effects of abuse.

I am delighted to have this opportunity to move this motion and introduce the Bill. The abuse of elderly people and adults at risk is a hidden problem, and I hope that by raising it in the House today I will help to focus attention on this matter which affects hundreds of thousands of people every year, and which a range of organisations, including Age UK and the Alzheimer's Society, have already done much to highlight.

Issues of abuse are complex and much abuse goes unreported. The failure by abused elderly people and adults generally to report instances of abuse is down to a number of reasons: stigma, shame and even a feeling of guilt by the abused, wrongly but genuinely felt, for having provoked the abuse. Very often, the abused adult is dependent on the abuser. Isolation also plays a part, as does lack of contact with care providers or criminal justice agencies.

The complexity of the problem is illustrated by a piece of work recently carried out in Northern Ireland which showed that three quarters of incidents in which elderly adults were subjected to abuse involved a family member, including very close relatives. Often in such situations the abused person will want to maintain some kind of relationship with the abuser, and they might be threatened that if they report the abuse they will be denied access to other family members, such as grandchildren, thus reinforcing the feelings of loneliness and isolation. In such cases, the elderly person often decides to balance the abuse they are actually suffering against the fear of some future action that they believe would result in their being left in an even worse state.

As a country, we must do everything we can to protect people at risk, especially our senior citizens, from abuse that can take many different forms. Often these factors are combined, but generally abuse falls into the following categories: emotional, psychological, financial, physical, sexual and neglect. Although Members will be aware of extreme examples of abuse when they are reported in the press and other media, it is clear that much abuse happens almost unnoticed or is passed off and excused as "poor care", or with the comment, "That's just the way he or she"—the family member—"behaves."

The issue of financial abuse is causing increasing concern. A 2008 Help the Aged report found that up to 2.5% of elderly people felt they had experienced some kind of financial abuse, exploitation or coercion, and in

[Mr Nigel Dodds]

my constituency case load I have come across increasing numbers of specific issues involving the administration of the personal finances of vulnerable adults. That is now becoming a greater problem given the difficult economic times we are facing and pressures on family finances, yet public awareness of the issue is limited.

Many members of the public at large do not understand the nature of the different types of abuse. That was borne out by the work of a partnership project in Northern Ireland, Uniting Against Elder Abuse, which brought together Age Concern and Help the Aged—which are now united as Age NI—and the Alzheimer's Society and Carers Northern Ireland. The project delivered a two-year strategic programme aimed at raising awareness of the problem generally, providing access to independent advocacy for frail older people and those with dementia, and developing a therapeutic response for those who experience abuse. I can say from the experience we had then in Northern Ireland that people were genuinely taken aback at the report's findings and the extent of the problem.

The number of people affected is much greater than is sometimes realised. It is estimated that one in 25 of all older people living in the community is affected by some kind of abuse every single year. As the majority of cases occur in the older person's home, agencies such as social services are not necessarily involved or aware. According to one survey, 62% reported that they had had no contact whatever with social services or any other support organisation, highlighting the fact that there is likely to be a considerable hidden minority of older people living in an abusive situation or subject to some kind of abuse without recourse to traditional forms of support or help.

There must therefore be greater commitment to educating and informing people about the support available to them. There are gaps in education, knowledge and training at the individual level and across the public and voluntary sectors. Those gaps must be plugged. It is vital that we have a single, common piece of legislation to reinforce existing policies designed to protect the elderly and adults at risk of abuse. Current safeguarding legislation is too complex and spread across many and various Acts and measures. It therefore offers only limited protection. No single professional, whether it be a social worker, a police officer or a nurse, could ever be expected to be aware of all the legislation that is out there. That is why overarching, comprehensive and consolidating legislation is needed.

There would be immense benefit in bringing existing provisions together, including principles, definitions, a duty to investigate, clarification of powers of entry, powers to remove a perpetrator or perpetrators of abuse, and a duty of co-operation. Legislation should not only be about responding to individual allegations of abuse, but should place a strong emphasis on prevention—and not just preventing an abusive situation arising for an individual. What is needed is a major shift towards understanding the circumstances and situations that contribute towards abuse or render people vulnerable to it, acknowledging the reality of its effect and how we as a society must move towards eradicating it.

Often, there appears to be little formal contact between agencies and services, and support can be unco-ordinated and fragmented. Let us compare that with the protection of children, which is a benchmark that we should seek to emulate. There is too much buck-passing over vulnerable adults and senior citizens, and only legislation will end that. Legislation would require suspected abuse to be investigated. Guidance is all well and good, but it applies differently to the various authorities and statutory agencies. The law should apply to all agencies involved in preventing and responding to abuse. Specific legislation would force better co-ordination of the various statutory agencies as they confront the silent offender of abuse. The same legislation could address the training and education deficit, which I have already mentioned, across the range of elderly support services, including the private, public and voluntary sectors.

Devolved Administrations are already taking steps, or have taken steps, to target elder abuse, with Scotland introducing the Adult Support and Protection (Scotland) Act 2007, Wales preparing to make recommendations by the end of this year, it is hoped, and Northern Ireland preparing a policy framework for consultation in early 2011.

The Department of Health opened up consultation on the "No secrets" guidance in 2009, but neither the previous Government nor this one—I acknowledge that they have been in office for only a short time—have responded to the findings of that consultation, including those on whether legislation is needed.

Legislation on the abuse of elderly people and adults at risk would facilitate a more comprehensive assessment, with a common benchmark standard across all support agencies. It would establish a more consistent and effective response by statutory providers, ensure better training and education, which would improve awareness, and consolidate local authority guidelines and offer enhanced guidance to the criminal justice system.

The day we set aside or neglect our responsibility to help and cater for the needs of our senior citizens and those who are open to and at risk of abuse within our society is the day that we lose our moral compass. I believe that this is an extremely important issue and hope that the presentation of the Bill leads to Government action. I commend the Bill to the House.

Question put and agreed to.

Ordered,

That Mr Nigel Dodds, Andrew Percy, Malcolm Wicks, Greg Mulholland, Dr William McCrea, Mr Jeffrey M Donaldson, Mr Gregory Campbell, Sammy Wilson, David Simpson, Ian Paisley and Jim Shannon present the Bill.

Mr Nigel Dodds accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 17 June 2011, and to be printed (Bill 105).

Equitable Life (Payments) Bill

Considered in Committee

[MR NIGEL EVANS *in the Chair*]

Clause 1

PAYMENTS

12.46 pm

Mr Fabian Hamilton (Leeds North East) (Lab): I beg to move amendment 1, page 1, line 7, at end insert—

'(2A) Payments authorised by the Treasury under this section to with-profits annuitants shall be made without regard to the date on which such policies were taken out.'.

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): With this it will be convenient to discuss the following:

Amendment 2, page 1, line 7, at end insert—

'(2A) The Parliamentary Commissioner for Administration shall report to Parliament on the implications for payments to which this section applies of the findings of the Independent Commission on Equitable Life Payments, no later than one month after the publication of such findings.'.

Amendment 7, page 1, line 7, at end insert—

'(2A) In determining the amount of the payments that it is appropriate for the Treasury to authorise under subsection (2), the Treasury must have regard to such matters relating to the adverse effects of that maladministration on those persons and the proper calculation of their resulting losses as have been determined by the Parliamentary Commissioner for Administration to be relevant to and appropriate for that calculation.'.

Mr Hamilton: I tabled my amendment because, although I am well aware that the Bill is an enabling measure, I feel strongly that a group of Equitable Life policyholders has been unfairly excluded from the compensation scheme that the Government have put in place. You will be pleased to know, Mr Evans, that I will not rehearse the entire history of the Equitable Life saga, because I do not think that we have the time this afternoon. However, to put my amendment into context, it might help right hon. and hon. Members if I remind them of some of the background to the case that I am about to put for the with-profits annuitants who took out their policies before 1992, for whom the Government's proposed scheme will not offer any compensation at all—in stark contrast to the post-1992 with-profits annuitants for whom 100% compensation is now proposed.

Founded in 1762 as a mutual insurance company based on the ideas of James Dodson, a fellow of the Royal Society and a man well ahead of his time, Equitable Life started selling pensions as early as 1913, but it was not until 1957 that the society started to sell its infamous guaranteed annuity rate, or GAR, pensions, which gave a clear and unambiguous return on capital invested depending on the age at which the policyholder decided to start taking the annuity. That was to carry on until 1988, at which point the society realised that its rates were so good and so far ahead of the rest of the market that they were unsustainable.

In December 2000, Equitable Life was forced to close to new business. By that time, it had more than 1.5 million members. In the last Parliament, the Select Committee on Public Administration said in its introduction to its December 2008 report:

"Over the last eight years many of those members and their families have suffered great anxiety as policy values were cut and pension payments reduced. Many are no longer alive, and will be unable to benefit personally from any compensation. We share both a deep sense of frustration and continuing outrage that the situation has remained unresolved for so long."

In June 2009, following many complaints from constituents over the past few years I introduced an Adjournment debate in Westminster Hall on Equitable Life. In it, I was critical of the then Labour Government—my own party's Government—and although I loyally and strongly supported almost all the previous Government's policies, I felt that we were wrong on this issue and should have done far more to implement the parliamentary ombudsman's full and damning report of July 2008 entitled "Equitable Life: a decade of regulatory failure". Needless to say, that did not make me very popular with my colleagues on the Front Bench at the time. My right hon. Friend the Member for Birmingham, Hodge Hill (Mr Byrne), the then Chief Secretary to the Treasury, tried his best at the end of the last Parliament to implement what I believe to have been a flawed exercise to bring in some sort of compensation scheme by employing Sir John Chadwick to design a system, but that took so long that it was overtaken by the general election in May.

The new coalition Government decided initially to continue the Chadwick process, to the disappointment of the Equitable Members Action Group. However, I must thank my right hon. Friend for his courtesy and the help that he tried to give me when he was Chief Secretary. He clearly understood the moral imperative that Parliament and the Government had to Equitable's policyholders, but his hands were tied and no compensation scheme was forthcoming under the previous Government. That was a great shame.

When Sir John Chadwick finally published his long-awaited report on 22 July, his recommendation on the total compensation to Equitable policyholders was for just £400 million to £500 million, or about £400 to £500 per person, out of the estimated total losses of approximately £4.8 billion, as calculated by the actuaries Towers Watson almost two years ago. I am reluctant to give praise to the Government parties, but I was delighted when the Chancellor of the Exchequer, in his speech to the House on the comprehensive spending review on 20 October, scrapped the Chadwick report and proposed a compensation package amounting to £1.5 billion. That figure was a threefold increase on Sir John Chadwick's initial proposal but was still insufficient to make up for the losses incurred by Equitable policyholders. More importantly, however, the Government accepted at long last the report of the Parliamentary and Health Service Ombudsman in full. Again, I must reluctantly give credit to the Government for having done something that I wish my Government had done long ago.

Any delight that surviving Equitable policyholders and I felt at the Chancellor's announcement was soon clouded by the details of the proposed compensation package. All the 37,000 post-1992 with-profits annuitants will eventually receive 100% compensation for their losses since then, but none of the estimated 10,000 pre-1992 with-profits annuitants will receive any compensation. Let me explain how my amendment goes to the heart of this issue.

Jonathan Evans (Cardiff North) (Con): I have no reluctance in paying tribute to the hon. Gentleman for his independence of thought and the campaign that he has waged on this issue. He has been not a lone voice, but one of very few Labour voices addressing the matter. On pre-992 annuitants, how on earth could one calculate what their losses might be as at that time, bearing in mind the fact that it is very likely that in the late 1980s and early 1990s bonus payments that were probably much larger than was warranted, given subsequent events, were added to their asset share? In other words, they might well already have been overcompensated.

Mr Hamilton: I thank the hon. Gentleman for his kind words. I hope that in continuing my comments I shall answer his question.

I have long believed that the Equitable saga is a moral issue for us in Parliament. We sought, through the Financial Services Authority, to regulate financial institutions such as Equitable so that those who invested their valuable savings to ensure their future income were protected against fraud and maladministration. Our own ombudsman, Ann Abraham—she works for us—called the failure to regulate Equitable "catastrophic" and pointed to examples of savers encouraged to invest with that company long after it clearly could no longer meet its obligations.

If we as a nation want to encourage people to save and to provide for their retirement and old age, in addition to what they will receive in state pension, it is essential that the companies offering those savings products can be trusted and relied on. With hindsight, we can see that Equitable clearly could not deliver to the hundreds of thousands of investors who trusted it and those people have been badly let down as a result. We had an obligation to ensure that that could not happen and we now have an obligation—indeed, a duty—to ensure that those who have lost out are fairly compensated for all their losses. This matter is above crude party politics; it is an obligation to which 380 sitting MPs signed up before the last election when they put their names to EMAG's pledge. We must not let the policyholders down now.

Let me relate some heartbreaking cases that will illustrate better than I can just how people have suffered as a result of Equitable's failure. One of my constituents, Mrs B of Leeds, has written:

"I signed for my With Profits Annuity in March 1991, investing £57,000. I am really suffering just now with my husband now being disabled and I am still trying to work four days a week to make ends meet. I receive only £141 a month from Equitable and it will continue to reduce. Surely all With Profits Annuitants should be included in the compensation! Have I been harbouring false hopes all these months? If so, there does not seem any point in my continuing to write to my MP or the Prime Minister."

Another policyholder, Mr D, who is not a constituent of mine as far as I am aware but will be a constituent of somebody in the House, writes:

"In his letter of 20 October Mark Hoban refers to the government's concern with the plight of the WPAs. However, he fails even to mention the Government's decision that those who started to receive their annuities before September 1992 are to get nothing. This is in spite of the fact that they too have not been allowed to get out, are continuing to suffer, year by year, reductions in their annuities and are older than any of us.

Fortunately Paul Braithwaite [the Secretary of EMAG] perceived from the first what was going on and has placed the matter of the treatment of the pre-September 1992 WPAs at the top of the agenda for a judicial review. However"—

this is the crux of what Mr D says—

"I think our MPs are fair minded enough to perceive for themselves how unjust the proposed action of the Government is. I am writing to my MP straight away."

Whoever that might be should look out for the letter.

Once an annuity has been purchased it cannot be sold or changed, so the with-profits annuitants who took out annuities before the September 1992 cut-off date are trapped.

Stephen Lloyd (Eastbourne) (LD): I, too, pay tribute to the hon. Gentleman for his work. It has been a pleasure to work with him on this issue and I support his amendment. In a nutshell, on the moral case, the parliamentary ombudsman and Sir John Chadwick both said in writing in advance that all the annuitants should be treated equally and that these annuitants should not be excluded, not least because they are the oldest and most frail.

Mr Hamilton: I thank the hon. Gentleman for his kind remarks about the work I have done but, as the Committee will know, he is the secretary of the all-party group on justice for Equitable Life policyholders, and I thank him for his efforts in this regard. He is absolutely right: Sir John Chadwick did say that, as I shall mention later.

The with-profits annuitants who took out annuities before the September 1992 cut-off date are as trapped as those who purchased them after that date and their incomes diminish each year. Having taken out policies that they believed would allow them to make ends meet in old age, they now face increasing poverty because Parliament did not act soon enough to prevent the collapse of Equitable. That is why we owe them the compensation that they deserve as much as the post-1992 with-profits annuitants.

What is so important about September 1992? Let me give further reasons why this is an artificial and unfair cut-off date, which I seek to stop with my amendment. First, annuities could not be exchanged once bought, so every annuitant has suffered from the consequences of regulatory failure irrespective of when their annuity was taken out or what extra bonuses were added. The cut-off date ignores the views of the parliamentary ombudsman, Ann Abraham, and Lord Chadwick in their reports. Even Chadwick, who came up with a much smaller overall compensation package than the £1.5 billion now on the table, agreed that the pre-1992 with-profits annuitants should not be excluded, as the hon. Member for Cardiff North (Jonathan Evans) pointed out.

It is said that because of the changes to the computer system, Equitable's records prior to late 1992 were not available, but the current chief executive of Equitable, Chris Wiscarson, who has been extremely helpful, has previously stated that this is a problem that could be surmounted. The parliamentary ombudsman has previously made it clear that nobody would sensibly have invested in Equitable after 1 July 1991 had the regulator acted effectively and transparently. If that situation had been made apparent to the media and the public at that time, nobody would have sensibly invested after that date.

It seems clear to me that anybody who took out a policy between July 1991 and September 1992 is being unfairly penalised simply because of a change in Equitable's

computer system. This is exacerbated by the fact that policies brought out in this period had the longest exposure to the adverse effects of maladministration. The coalition Government gave a commitment to

"implement the Parliamentary and Health Ombudsman's recommendation to make fair and transparent payments to Equitable Life policy holders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure."

My amendment would ensure that this commitment could be carried out properly and at a relatively small additional cost.

Let me be clear. I am not recommending that we take some of the compensation from the 37,000 who have already been promised 100% compensation, which amounts to about 50% of the total offered by the Government. I am suggesting that we bring forward the £100 million of the total package that was proposed to be given in the next Parliament, and that we add to that a further £100 million from current, albeit limited, reserves.

As I said earlier, I believe that this is a moral obligation and that Equitable pensioners are looking to us, their recently elected representatives in this Parliament, for justice, which is why I intend to press the amendment to a vote so that there can be no discrimination between with-profit annuitants according to when they purchased those annuities.

1 pm

Andrea Leadsom (South Northamptonshire) (Con): Does the hon. Gentleman accept that there might be more support for the amendment if it did not incur further cost to the taxpayer, bearing in mind the current severe financial constraints?

Mr Hamilton: Yes, of course the amendment would attract far more support if there was a net zero cost. However, this is an important moral issue. Many of my hon. Friends and other Members know my views, for example, on the Trident replacement, which I know has now been shelved for a while, and on various schemes that take a huge amount of capital expenditure. The sum that we are discussing now is relatively small. I believe there are other savings that may be made, particularly in defence spending, which could pay for this.

That is a decision that the Government and the two parties that make up the coalition will have to grapple with, but I believe that the policyholders look to us to ensure that the justice they have been promised is delivered. It is a moral obligation, and it overrides many of the other areas of expenditure to which any Government are committed.

Frank Dobson (Holborn and St Pancras) (Lab): Does my hon. Friend agree that if there is a moral case to compensate anybody, there must be a moral case to compensate everybody, and not leave some people out because of some mess-up over a computer system?

Mr Hamilton: I thank my right hon. Friend for that. He is right. It is galling when the very vulnerable and frail pensioners who are the ones suffering most because they are the pre-1992 with-profits annuitants look, for example, to the quite correct compensation given to Icesave investors of up to £50,000 per investor, and to some of the other compensation schemes in which the Government have been involved over the years, and find that they, who might not have much longer to live, are going to be without compensation at all.

Jonathan Evans: I am grateful to the hon. Gentleman, who is being extremely generous in giving way. I fully accept the moral argument that he is putting forward. That is why I was a signatory to the pledge as well. In response to the question I asked earlier, he certainly has a point about taking back the date to 1991. His amendment, though, would go back well before that, but he has not made the argument for going beyond 1991. My second question was how he would compute the compensation. That must be a central question, and in his argument so far I have not heard an answer to that.

Mr Hamilton: I thank the hon. Gentleman for his intervention. First, there would be relatively few annuitants from further back in time. Clearly, a person who retired in 1981 or 1985 would be getting on a bit in years now, so only a small number of people would be involved. Secondly, Equitable must have records showing what bonuses were paid at different times.

The further back the scheme goes before 1991, the fewer annuitants there will be who demand or need that compensation, but the need will be greater because of the frailty and the loss in the value of those annuities since then. Since 1991, those annuitants, even though they may have had bonuses before that, continue to see a decline because of the maladministration, which affects them as much as it affects post-1992 annuitants. I hope I have at least partly answered the hon. Gentleman's point.

Jim McGovern (Dundee West) (Lab): Actuaries are sometimes disdainfully referred to as people who found accountancy too exciting, but surely a good actuary would be able to calculate the sums in question, whether for pre-1991 or post-1991 annuitants.

Mr Hamilton: I thank my hon. Friend for making that very good point. We are talking about many hundreds of thousands of policyholders throughout the United Kingdom, but we know that there are about 37,000 or so post-1992 with-profits annuitants. We think there are about 10,000 pre-1992 such annuitants, but the further back we go the fewer there will be, so if it was a difficult, time-consuming exercise to work out relative losses for all policyholders, which it certainly was, which is why Sir John Chadwick was engaged, it will surely be a much easier exercise for the far fewer people who are with-profits annuitants prior to 1991. My hon. Friend's point goes some way to answering the question.

Richard Fuller (Bedford) (Con): I thank the hon. Gentleman for giving way again. This has been a long-standing issue, and perhaps he can help some of us who are new to the House. He mentioned a total of £100 million from subsequent years' Budgets, plus £100 million from reserves to be allocated to pre-1992 annuitants who are not covered in the proposals. Is he making an estimate, or is that sum firm is in his mind? That is a key issue. The concerns expressed about computer records do not stand up against a point of principle, but it is important that we have a sense of how firm and solid the hon. Gentleman's understanding is of the sums that might need to be paid.

Mr Hamilton: The hon. Gentleman makes a very good point, and I cannot give him a precise answer. The figures that I have quoted are estimates I obtained from

[Mr Fabian Hamilton]

the Equitable Members Action Group, which has quite a lot of good people working for it—people who have been in the financial services industry. I go on their expertise. This is the best estimate that we can gain.

The reality is that many of the annuitants are quite elderly. It is unlikely that in five years we will have the same number we have now. We already know, for example, that every single day since the disaster happened 15 policyholders throughout the entire spectrum of Equitable policyholders have died. We can therefore assume, unfortunately, that more will no longer be with us in the years to come, so the amount of money will be a diminishing sum. The best estimate that we can gain is £200 million, and that estimate comes from EMAG.

Jim Shannon (Strangford) (DUP): Can the hon. Gentleman clarify that last point? Obviously, since our last debate on the subject in the Chamber way back in July, some people have passed away. Is there any provision in the amendment for the next of kin to take advantage, in the absence of those who have passed on?

Mr Hamilton: That is a good point, and it was made during the previous Parliament, in February, at a packed meeting with the former Chief Secretary to the Treasury, my right hon. Friend the Member for Birmingham, Hodge Hill, and Sir John Chadwick. My right hon. Friend made a commitment, which I am not sure the Financial Secretary has made, so perhaps he will clarify the situation in his contribution, that the estates of those who had passed away would receive some compensation. The point that I have just made may be contradicted, but it depends on what the Financial Secretary and the Treasury want to do.

The Financial Secretary to the Treasury (Mr Mark Hoban): Before the hon. Gentleman continues, let me just make it clear that long ago we established the fact that, under any compensation scheme designed, we would make payments to relatives of those who were deceased, and that there would be no means-testing.

Mr Hamilton: I thank the Financial Secretary for clarifying that point, which somewhat contradicts what I said earlier about the diminishing amount of money.

The best estimate that EMAG can give us is £200 million for the 10,000 existing pre-1992 annuitants. I confirm that I wish to press my amendment to a vote, and simply conclude that we owe some of our most frail and vulnerable pensioners no less. I urge all Members to support my amendment.

Jonathan Evans: I am very pleased to have the opportunity to participate in this debate, but may I begin by declaring an interest? I am the chairman of a life insurance company, but I have no connection whatever with Equitable Life, financial or otherwise.

The hon. Member for Leeds North East (Mr Hamilton), alongside many Conservative and Liberal Democrat Members prior to the election, fought hard to put forward the cause of Equitable Life policyholders, and I am pleased and proud of the position that my colleagues and the Minister adopted. Many of us, in the lead-up to the election campaign, signed a pledge to seek to put into operation a number of factors. The first was the recognition of all the individual provisions that the parliamentary ombudsman put forward. The hon. Gentleman will know that the previous Government only partially accepted the ombudsman's report, and I am very pleased and proud of the fact that the Minister fully accepted all its points. I rather wish that EMAG had been a little more generous in its praise of him for having done so.

Secondly, the compensation that has been put forward will come as a disappointment to some, but the ombudsman made it clear that we had to take account of pressures on the public purse at the time. When we heard Sir John Chadwick's proposals, there was virtual unanimity among those newly elected Government Members that £400 million was completely and utterly inadequate. I thought that the Government might put the figure up to about £1 billion and hope for the best, but we ended up with £1.5 billion.

James Morris (Halesowen and Rowley Regis) (Con): Does my hon. Friend agree that we would not be in this situation, or have to have this conversation, if it had not been for the delay imposed by the previous Government?

Jonathan Evans: That is true, and the record of the outgoing Labour Government in that regard is inglorious, but I do not want to be partisan. In essence, Equitable Life policyholders do not want us endlessly to bash the Opposition; they want to know which way we can go forward. So I shall turn my remarks to the specific points made by the hon. Member for Leeds North East. He made a good moral case for not excluding people who ought properly to be included in the category to whom compensation could be paid, but, as I suggested in my intervention on him, some factors cause me some concern.

1.15 pm

First, the hon. Gentleman referred to the elderly pensioner who had put in £57,000 and now receives a very low monthly figure. I certainly share his concern about that, but, if we were to unpick financial arrangements going back to the 1980s, we would have to consider the difficulty that arose from the fact that Equitable Life gave guaranteed annuity rates to some of its policyholders and, at the same time, record bonus rates to those people who did not have those guarantees. In reality, Equitable Life was building its business on the basis of becoming a market leader in the bonuses that it granted—even to the point where the parliamentary authorities recommended that all hon. Members making additional voluntary contributions should make use of Equitable Life because of its market-leading rates.

We know now that those rates were deceptive, but during the 1980s those rates were paid and those bonuses added to the asset pool being put together. Therefore, it cannot be gainsaid that, certainly by 1990, most people with an asset share in an Equitable Life policy probably had an amount that was well beyond what was appropriate for the investment that they had made. In other words, they were over-supplied with bonuses during that period.

Stephen Hammond (Wimbledon) (Con): I have taken part in a number of these debates during my short period as a Member, and, unlike some hon. Members, I am not reluctant to praise the Minister. However, in my

constituency surgery last Friday I saw an 80-year-old gentleman who accepts the points that my hon. Friend now makes, but makes the point himself that the pre-1992 group are still trapped and unable to take any action. Had they been able to take some action to mitigate or ameliorate their circumstances, they would have done so. My hon. Friend the Minister has done a great job in moving the issue forward so quickly, but I hope that he will at least listen to the concerns of the pre-1992 annuitants.

Jonathan Evans: I am grateful to my hon. Friend for that contribution. He approaches the issue with significant expertise, so he will know that, if we are to achieve justice, it is not just a question of treating all those pre-1992 policyholders in the same way as everybody after 1992. One would go back and assess the pre-1992 annuitants' asset share to see whether they were paid 105%, 110%, 120% or 140% of asset share; and one would correct that, so that the pre-1992 and post-1992 annuitants were dealt with in a balanced way. The danger with the proposed approach is that there will not be that balance. It is already clear, from the question asked by my hon. Friend the Member for Bedford (Richard Fuller), that we do not have a basis for the figure of £200 million; it is a wet finger in the air in order to assess the situation.

The second factor that causes me significant concern is the lack of available actuarial information. I share all the concerns about the Chadwick process, and, although Sir John might have made an observation about the pre-1992 annuitants, he did not compute their liabilities. The danger, therefore, of being seduced by the strong arguments of the hon. Member for Leeds North East, is that we would enter into an open-ended commitment and have great difficulty realising its objective. During the debate, however, he has made a good case on behalf of those annuitants who go back to 1991. We should remember the judgment made by the ombudsman and her terms of reference. Most of the inquiries started looking at the period from 1999 onwards, but most of the condemnation about regulatory failure goes back to events prior to 1991. It is important that the Committee should take that factor into account when invited to say whether compensation should be granted going back very many years before that.

Chris Leslie (Nottingham East) (Lab/Co-op): I should like to speak to amendment 2, which is grouped with amendment 1, tabled by my hon. Friend the Member for Leeds North East (Mr Hamilton) and amendment 7, tabled by my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson).

In wishing you a happy birthday, Mr Evans, let me say that I do not have any registrable financial interests in the matter under debate. However, I want to place on record that 18 months ago, some while before I was returned to the House, I was occasionally commissioned to give advice and training on parliamentary and public policy matters, and on one occasion, I undertook a day's work for a company whose clients included the former chief executive of Equitable Life; by then, of course, its fund had been closed for many years. I thought it important to disclose that encounter for the avoidance of any doubt. Although I had a day's work indirectly related to Equitable Life some time before coming into Parliament, I have not had any financial or policy discussions on the matter subsequently.

I have held this brief for a couple of weeks, and it has been an extremely steep learning curve of reviewing history and policy that dates back well over 25 years, as my hon. Friend the Member for Leeds North East said. I was struck by the opening words of the House of Commons Library background note to the Bill:

> "Describing the Equitable Life (Payments) Bill as the tip of an iceberg would be harsh on icebergs: at least they have 10% or so of their bulk above the water line. The Bill is but a tiny atoll below which lies the immense bulk of the Equitable Life tragedy."

In general, I intend to be as supportive as I can of the Bill, as it is a positive step forward in the attempts to rectify a long and sorry saga. The amendment simply seeks to encourage the parliamentary ombudsman to

> "report to Parliament on the implications for payments...of the findings of the Independent Commission on Equitable Life Payments, no later than one month after the publication of such findings."

I do not want to go through the entire background that has brought us to this Committee stage today. By my count, eight separate inquiries, and possibly more, have done that, and there are conflicting and sometimes contradictory findings and accounts of what happened in the past and who should be responsible for rectifying the situation for policyholders. However, we know that in the spending review the Government accepted the ombudsman's approach to maladministration and, more relevantly to this debate, to the framework for a compensation package. The Government say that they want to honour the interpretation of the ombudsman's second report in full. That is their choice. There are clearly arguments in favour of that approach, as well as against it.

The Minister now places great emphasis—although it could be argued that he did so to a lesser degree before the general election, when there were a lot of loud campaigns on signing up to the EMAG pledge—on it being appropriate to consider the potential impact on the public purse of any payments of compensation in this case, as the ombudsman has said. The Treasury has concluded that it will initially focus on total relative loss as the basis for its payments and will cover those losses in full for post-1992 with-profits annuitants, to the tune of some £620 million. Some 37,000 individuals will be involved in that. That means that that group of with-profits annuitants will receive compensation equivalent to that which they would have gained had they invested in companies other than Equitable Life. However, because of the cap of about £1.5 billion that the Treasury is placing on the total payouts, the other 1 million or so policyholders, including annuitants with older policies—I presume, although I may be wrong about that—will have to have their compensation for relative loss adjusted to fit within the envelope available.

The Independent Commission on Equitable Life Payments, which is chaired by Brian Pomeroy, has been set up by the Minister to advise on the allocation of compensation to policyholders other than those with-profits annuitants, who will be getting 100% compensation. I am conscious of the words of Sir John Chadwick when I think through the technical challenge of administering a compensation payment scheme; it is important that its design and delivery are clear and efficient. I hope that we are not on the brink of a further failure that compounds the problems of the majority of policyholders by opting for a compensation scheme that could be so complex and opaque that it might risk grinding to a halt. We need a scheme that works in practice.

[Chris Leslie]

If the Minister is opting for the ombudsman's approach—as I say, that is the Government's choice—there are questions that need to be answered, and I would be grateful if he could reflect on those when he makes his comments. First, exactly how will the apportionment of the relative loss figures for other policyholders not receiving 100% compensation be calculated under the ombudsman's approach, if we will not be following the Chadwick methodology given the Government's acceptance of all 10 findings by the ombudsman?

Secondly, will the other policyholders—the vast majority—be classified into broad categories or subject to individual assessment of their cases? Will there be any burden of proof requirement on the other policyholders in the assessment of their relative loss, or is it likely that the compensation scheme will have some assumed automaticity in all cases? I ask that only because the ombudsman's findings of loss are very specifically linked to a policyholder's reliance on the regulatory return data. She said:

"I find that injustice was sustained by any policyholder who relied on information contained in the society's returns between 1990 and 1996."

I am trying to get a sense of precisely how that process will work.

Thirdly, how will the payment scheme take into account all the other maladministration factors for other policyholders that Sir John Chadwick's methodology would not have covered, if we are following a classification scheme?

Whatever compensation scheme the independent commission eventually alights upon, it is an important starting point to establish that it is consistent with the Minister's intentions—in other words, that it encompasses all the parliamentary ombudsman's conclusions. I gather that there are moves afoot by the Public Administration Committee to interpret whether the ombudsman's model aligns with the payment scheme that eventually emerges. That might be a good idea, but perhaps it is a little circuitous. It would be far better, in my view, to give the ombudsman directly the right and the opportunity to say publicly whether the payment scheme is indeed in keeping with the spirit of her own findings. She could then say whether the total relative loss figures are accurate and whether the compensation scheme is fair, particularly given the controversy over the dates and whether some people will or will not be included in the 100% compensation for with-profits annuitants. The purpose of our amendment is simply to give voice to the ombudsman so that she can confirm her view.

It is worth noting at this stage that, far from granting the wishes of the Equitable Life policyholders regarding everything they wanted, the main pressure group formed to speak for their interests, EMAG, is angry and perplexed at the nature of the compensation scheme envisaged by Ministers and the constraints placed on the independent payments commission. EMAG says on its website:

"The independent Commission's recently torn up terms of reference have not at this date"—

this was a week after the announcement in the spending review—

"yet been replaced."

It says that the Minister's letter of 20 October to the commission's chairman

"makes clear that retrospectively the remit will now totally exclude"

the full class of with-profits annuitants. My hon. Friend the Member for Leeds North East alluded to that point. EMAG continues:

"So its remit now is to divvy up £775m between 600,000 and to suggest the prioritisation. This surely cannot be what the Parliamentary Ombudsman had in mind as the role for the independent Commission?"

Given this question mark over the parliamentary ombudsman's intentions, we felt it important to table the amendment to try to give voice to that.

There is doubt about whether the compensation arrangements are as much in alignment with the ombudsman's approach as the Financial Secretary would like to argue, and I hope that our amendment will give the ombudsman a chance swiftly to comment on the calibre of the scheme and clarify once and for all whether it fits with her approach. We believe that that can be done quickly, and there seems to us to be no reason why it could not happen within one month of the publication of the scheme's proposals. There would not be any reason to delay payments, and it would aid transparency and confirm whether the Government's arrangements via the commission's payment scheme were the same as those envisaged by the ombudsman. Although amendment 2 may be a belt-and-braces approach, at this stage of the saga we need some cast-iron assurances all round.

1.30 pm

Mr Mike Weir (Angus) (SNP): If the hon. Member for Leeds North East (Mr Hamilton) presses his amendment, we will certainly support him.

I have been debating Equitable Life in the House ever since I was first elected, and I well remember endless debates in the two previous Parliaments in which I was joined by Conservative Members in trying to get the Labour Government to take action. I recognise that some Labour Members also pushed their own Government for action. It was a long battle, and frankly we did not get very far.

When the new Government were formed, I cannot say I had any great enthusiasm for the thought of the coalition, but I did at least think that perhaps we could get an end to this saga, which had brought so much unfairness to so many people throughout the country, many of them elderly.

One difficulty has always been what the final compensation bill should be. It is easy to get lost in figures, as they range from Chadwick's £500 million up to EMAG's latest figure of more than £6 billion, but the generally accepted figure seems to be in the region of £4.6 billion. The Government have set a figure of £1.5 billion, which is about a third of that generally accepted figure. I understand their reasoning that that is all that can be afforded, but sorting out Equitable Life could have been one of their great early achievements. It is being undermined by arbitrary decisions, the worst of which is the overall cap on the amount. Rather than an independent commission considering the matter and recommending a figure, a figure has been put in place and all the independent commission can do is decide how it is divided among policyholders.

Mr Fabian Hamilton: As I mentioned in my contribution, about half the overall £1.5 billion package will be consumed by the 100% compensation for the 37,000 post-1992 with-profits annuitants. Does the hon. Gentleman agree that the remaining balance will provide a considerably smaller sum in the pound to the rest of the policyholders?

Mr Weir: The hon. Gentleman is quite right. I understand that the figure quoted by EMAG is about 15% of their loss, which is a very small amount for people who have suffered.

What could have been a very good outcome seems to have been undermined by arbitrary decisions. I hope that the Financial Secretary will explain the rationale behind excluding the 10,000 pre-1992 annuitants from compensation altogether. I do not understand the logic of that. I do not see any suggestion that it should be done in the ombudsman's recommendations.

I have said in previous debates that it is important that this Parliament supports its independent ombudsman, and there seems to have been a major deviation from what the ombudsman recommended. The hon. Member for Cardiff North (Jonathan Evans) made some interesting and relevant points about how compensation for pre-1992 annuitants should be calculated, which is undoubtedly a difficulty. I am not an actuary and cannot give him the answer to that, but I do not think it is beyond the wit of man—or even an actuary—to work out a figure.

Ultimately, this is a matter of principle. I raised that point on Second Reading. We are dealing with a situation in which many thousands of our fellow citizens have lost out through maladministration. The Government are ultimately responsible for that maladministration—the previous Government, not the present one, but they are the heirs to that. We should not accept the principle that the Government can say, "Okay, there has been maladministration. We are responsible, but we will set a cap on how much compensation we give and then arbitrarily decide which of the group who have suffered will be compensated." That is a very bad principle. In no other case in which there has been loss and there is liability would anyone be entitled to say, "I'm only paying a proportion of that. That's all I can afford." The Government should not go down that route.

I believe that we will debate an amendment later to set up a totally independent organisation to consider the matter. We need that to be done independently, not with a cap and not with some people arbitrarily excluded. We will support amendment 1 if it is pressed, because it is only reasonable. We have to right what has been a terrible injustice going back well over a decade.

Frank Dobson (Holborn and St Pancras) (Lab): I shall speak very briefly in support of all three amendments in this group—those tabled by my hon. Friends the Members for Leeds North East (Mr Hamilton) and for Nottingham East (Chris Leslie), and even the one that I have tabled.

As drafted, the Bill leaves practically everything to the discretion of the Treasury, which I find objectionable. I remind the Committee of what Winston Churchill said about people at the Treasury—that they were

"like inverted Micawbers, waiting for something to turn down".

The chance of their coming to any generous conclusion for people who suffered in the Equitable Life scandal is very small. The courts have held that bodies given discretion are not allowed to fetter their own discretion. It is therefore necessary for the House to fetter the discretion of the Treasury.

I strongly support the view that we should not allow a situation in which the most elderly people will be excluded from compensation. In view of the fact that everyone places so much weight on the ombudsman's contribution, I strongly support the amendment tabled by my hon. Friend the Member for Nottingham East, which suggests that we should give her a further look at what is being proposed. It will be preposterous if, in trying to do what the ombudsman wants, we end up doing something that she thinks is unsatisfactory and inadequate. The reasoning behind the amendment in my name is the same.

I do not wish to say any more, but the House should do its proper job of telling the Treasury what the rules should be when it considers the matter. I am not getting at Ministers; I am getting at the Treasury as an organisation. It does not have a good record, and ethics and decency are not major considerations for it. They never have been, and perhaps they should not be its major considerations, but we should bear them in mind, so that we can bear down upon the Treasury.

Nadhim Zahawi (Stratford-on-Avon) (Con): The hon. Member for Leeds North East (Mr Hamilton) made an impassioned and moral argument for amendment 1, to which I shall return later.

I have taken a very keen interest in this issue. It has affected a significant number of people in Stratford-on-Avon, to the extent that I have had hundreds of letters and e-mails about it. Like many other Members, I signed the EMAG pledge before the election, and I believe that backing the Government to get the Bill through is delivering on that pledge.

It is probably worth our spending just a few moments thinking about the economic landscape in which we are operating. We are borrowing about £500 million a day. Every time we go to sleep and wake up in the morning, we notch up another £500 million. To service the debt costs about £120 million a day—that is not to pay it down, but just to stand still. It is against that background that we must try to resolve the tragedy of Equitable Life.

Let me spend a couple of minutes on the timelines of the events. In 1988, Equitable Life stopped selling its guaranteed annuity rate policies and, in 1990, those policies became too expensive to honour because of the falls in interest rates and in inflation. In 1999, after the 1997 election, Equitable cut its bonus paid to 90,000 GAR policyholders. In July 2000, the House of Lords ruled that Equitable Life must meet its obligations to its GAR policyholders, thus leaving it with a £1.5 billion liability.

In February 2001, the Halifax agreed to pay £1 billion for the assets. In July, with-profits policyholders saw the value of their savings slashed by 16%—by almost one fifth. In August, Lord Penrose announced his investigation. In October, the then Economic Secretary to the Treasury told the Treasury Committee that the previous Labour Government might consider compensation for some victims if a grave injustice had occurred.

In January 2002, policyholders backed a compromise package. In March 2004, the Penrose report blamed Equitable Life's management for the whole affair. Following

[Nadhim Zahawi]

the report's publication, the Government ruled out compensation and were accused in this House of abandoning policyholders. In April, the parliamentary ombudsman announced that she would reopen her investigation.

In 2007, the European Parliament called on the UK Government to compensate policyholders. In January 2008, Equitable agreed to pay an undisclosed sum to 407 with-profits annuitants who launched proceedings in 2004. The ombudsman's report was published in 2008. The previous Government said that they would respond by the autumn. When the deadline was missed, the then Prime Minister said that they would respond before Christmas. However, they did not respond until the new year.

In August 2009, Sir John Chadwick published his first interim report, and in March 2010—more than a year after his appointment—he published his third and final interim report with a promise of a final report in May 2010. That date was subsequently extended to July.

I go through these events in chronological order to demonstrate the pain that the victims of Equitable Life have had to go through. This is a true human tragedy. The hon. Member for Leeds North East talked about the e-mails and letters that he has received from his constituents, and the same is happening in all our constituencies.

The Government's offer is a very good one. My hon. Friend the Member for Cardiff North (Jonathan Evans) said that, at best, he expected them to offer up to £1 billion. Many colleagues and I voiced our concerns the last time we debated this matter in the Chamber. When one makes a pledge, one must try to honour it.

Richard Fuller: Like many of us, my hon. Friend is wrestling with this question of fairness and with the political obligation to find a fair payment scheme that was mentioned in the Public Administration Committee and that many of us have signed up to. Hon. Members from both sides of the Committee are caught between wanting to praise the Minister for the swiftness of his recommendations—we praise him for that—and finding, in these difficult times, £1.5 billion. We often talk about that figure in comparison with the Chadwick number. However, does my hon. Friend not accept that we should view the figure with respect to what the Government themselves have said about policyholders' relative loss, which Towers Watson estimated at, I think, £4.3 billion? Does £1.5 billion represent meeting our obligation of fairness if it is set against the relative figure of £4.3 billion that the Government themselves have accepted?

1.45 pm

Nadhim Zahawi: My hon. Friend is quite right: the figure is £4.3 billion. I, too, have wrestled with the problem. In the current economic climate, offering £1.5 billion to the victims is fair and it delivers on the promise that many of us have signed up to. I hope that many colleagues will support the Government to expedite the process and finally get money flowing to the victims, something that we hope will happen by the middle of next year. The figure of £1.5 billion is about four times higher than the £340 million that victims would have received if the coalition Government had accepted the Chadwick report, which is what we feared would happen. I am very comfortable with the sum being offered.

Stephen Lloyd: I accept my hon. Friend's premise that the amount is considerably higher than the previous Government proposed. I also accept that we are in a desperate situation in which we are paying £120 million a day to service a debt. That is outrageous and clearly we must focus on that. However, a way around the challenge is the one that I have presented to the Economic Secretary to the Treasury, which is to urge the Treasury to revisit the matter in five years' time for the second tranche of the £500 million. By then, the economy will be transformed and we will be in a stronger position. Does my hon. Friend not agree that while the £1.5 billion seems a very generous sum at the minute, a little flexibility from the Treasury means that the further £500 million could be revisited in five years' time?

Nadhim Zahawi *rose—*

The First Deputy Chairman: Order. Before the hon. Gentleman responds to that intervention, may I remind Members that interventions should be short and that this is not a Second or Third Reading debate? We are speaking to the amendments that are before us, and if we focus on them, we will make quicker progress.

Nadhim Zahawi: My hon. Friend makes a good point. However, having listed that extraordinary chronology of debacles, it is clear that there could be a problem if we left things open and said, "We might be able to revisit them at some other stage." We would be opening up other doors, and that may cause further delay. I come from a world of business rather than of politics and I believe that, if we try to put a line under a terrible situation and compensate people, we should do it quickly and completely.

Mr Evans, I take on board your remarks. All I will say is that the Minister should be applauded. There will be no means-testing and the dependants of the deceased policyholders should be included in any compensation. I have had a number of heartrending letters in which relatives have written, saying, "It is too late for us because our loved ones have passed away."

I understand the passion that the hon. Member for Leeds North East has shown through amendment 1. The problem with the amendment was outlined by my hon. Friend the Member for Cardiff North (Jonathan Evans), who said that it was very difficult to put a quantum on what that number should be. In the current economic climate, I would find it hard to support it if we said, "Oh well, maybe it is £100 million extra from reserves; maybe it's £100 million that we can bring in from future years." None the less, the hon. Gentleman made a strong point about the annuitants from 1991 going forward, and I hope that the Minister was listening carefully.

Mr Fabian Hamilton: Does the hon. Gentleman not agree that creating an arbitrary date—which is what the cut-off point would be—would lead to a great deal of anger and distress among some of the oldest and most vulnerable policyholders?

Nadhim Zahawi: The hon. Gentleman would be right if the date were purely arbitrary. However, the ombudsman stated that the malpractice occurred in 1991, so the date is not quite as the hon. Gentleman puts it. It has not been plucked out of the air.

Mr Jim Cunningham (Coventry South) (Lab): Leaving aside the economic difficulties that we face, is not the central problem that when we put a cap on something, we have to make it work? Therefore, we have to arrive at a certain formula to make the cap work, because we are largely in the hands of the Treasury, as my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) said earlier. Unless we get a grip on the Treasury, we will find ourselves in similar situations, and it is my guess that the Treasury has imposed the cap.

Nadhim Zahawi: The hon. Gentleman makes an interesting point. What I would say is that, in contrast to the quotation from Winston Churchill earlier, my observation as a new boy to this House over the past six months is that the Treasury has behaved positively. We must remember that we will be administering public money. The Government have no money of their own; rather, we collect money on behalf of the people and then we administer it. It would be foolhardy and perhaps even foolish for us to say, "Let's have somebody else administer public money." At the end of the day, people have to have someone who is accountable, and we are accountable, as is the Treasury.

Amendment 7 seeks to ensure that the Treasury takes into account a proper evaluation of the total relative losses when determining payments—that is, the figure should not be £4.3 billion, but could be much higher. I strongly disagree with that. Many EMAG members have written to me, lobbying me to see the matter differently, but I have to say that I disagree. Given the current economic hardship, we all face an incredibly difficult situation, in which we are all having to tighten our belts. To deliver compensation of £1.5 billion at this time is entirely fair.

Amendment 2 is in the name of the hon. Member for Leeds North East and all I would say to him is that I understand the thrust of his argument that we should consider what the ombudsman says about the behaviour and actions of the coalition Government in dealing with the issue. However, I would rather get things done and dusted, and have something delivered to the victims than procrastinate further and wait for longer.

Mark Durkan (Foyle) (SDLP): I can fully appreciate what the hon. Member for Stratford-on-Avon (Nadhim Zahawi) said about the Government's proposals being clearly better than what was offered by the previous Government. Frankly, that is not a very hard test to pass. The real test for us in this Committee is surely not whether what we have from this Government is better than what we had from the previous Government. It clearly is better. Rather, we as a Committee have to see whether it is as good as what is set out in the parliamentary ombudsman's findings and recommendations.

Nadhim Zahawi: Just to offer some explanation, what the Government have delivered is not just better than what the previous Government were thinking about—or dithering about—trying to deliver. I also believe that there was a point in this Parliament when the coalition Government were seriously considering implementing only what Chadwick had recommended, but we have moved away from that. We have buried that, and we are now in a much better place for the victims of Equitable Life.

Mark Durkan: My point still stands: the test is a fairly easy one. The Chadwick report was so grossly inadequate as not to be a credible starting point for any Government. Many of us said that to the previous Government, including the hon. Member for Leeds North East (Mr Hamilton)—very bravely, loudly and consistently—and many of us have said it to this Government as well.

For us as Members of the Houses of Parliament, the test that many people will apply is: what regard do we have to the findings and recommendations of the parliamentary ombudsman? As the hon. Member for Angus (Mr Weir) stressed earlier, the public understand the parliamentary ombudsman to be a creature of Parliament and to have some weight and merit in Parliament's considerations. However, the previous Government acted pretty dismissively towards the ombudsman. What we have in some of the amendments before us is an attempt to show clearly that this House will give proper weight to what the parliamentary ombudsman is saying.

We all received a letter from the parliamentary ombudsman about some of the Government's proposals. Given that, is it wrong that we should reference the judgment of the parliamentary ombudsman—as the hon. Member for Nottingham East (Chris Leslie) is suggesting we do with amendment 2—perhaps as a way of moving on from the scandal and confusion that many feel surrounds the fact that the ombudsman was largely ignored by the Government and, in effect, by Parliament for so long?

Jonathan Evans: I am anxious to ensure that the hon. Gentleman does not undersell what the Minister has done. The hon. Gentleman will recall that every aspect of the parliamentary ombudsman's report has been accepted by the Government and that, furthermore, the report said that whatever the overall compensation package should be, it had to take account of the impact on the public purse. Many of us on the Government Benches think that those are the two crucial tests.

Mark Durkan: That is what the hon. Gentleman is arguing. However, given that the money that we are talking about has been capped according to the Treasury's judgment of what it believes is available—that means that the overall sum to be offered by way of remedy and redress will be a long way short of what all the other assessments say—I believe that it would useful for the Committee to accept an amendment that would allow us to ensure that the parliamentary ombudsman has some say in overseeing the measures. Under the circumstances, that is fair and reasonable, but if the hon. Gentleman is so content that the scheme as it stands meets everything that the ombudsman has said, he should see such an amendment as adding no particular stress or difficulty for the scheme. Such an amendment would be a way of offering public assurance after all the doubts that have been raised about how Government and Parliament have dealt with the issue.

Mr Weir: Does the hon. Gentleman not also agree that at no time did the ombudsman suggest that any group of annuitants should be debarred from receiving compensation, as is now being proposed?

Mark Durkan: I thank the hon. Gentleman for that point, which quite properly brings me to amendment 1.

Jonathan Evans: I do not want to delay the hon. Gentleman, who is being very generous in giving way, but if he waits until Third Reading, he will hear what I have to say about the totality of the package.

Mark Durkan: What a trailer for Third Reading! We will all be waiting.

On amendment 1, the hon. Member for Leeds North East set out a compelling case for why it is not just the cap, but the cut-off that we need to be seen to address. We have seen in the past how dates set for various reasons have ended up creating unfair and unforeseen consequences that Parliament did not truly intend. That certainly happened with dates for schemes in previous pension Bills, for reasons that seemed reasonable and understandable to the House at the time. We are now struggling with the consequences that were never intended. We must be wary about such cut-offs.

2 pm

The arguments from the hon. Member for Cardiff North about amendment 1 had some validity. I suggest that some of the answers may be found in amendment 7, which was tabled by the right hon. Member for Holborn and St Pancras (Frank Dobson). The hon. Member for Cardiff North said that it might be harder for some pre-1991 annuitants to make the case that some of their losses were directly due to maladministration and that the nature, degree and pattern of maladministration was more obvious and accentuated after that. If so, amendment 7 would allow account to be taken of that, because it states:

"In determining the amount of the payments that it is appropriate for the Treasury to authorise under subsection (2), the Treasury must have regard to such matters relating to the adverse effects of that maladministration on those persons and the proper calculation of their resulting losses as have been determined by the Parliamentary Commissioner for Administration to be relevant to and appropriate for that calculation."

Amendment 7 would cut both ways. It would be an assurance that the loss suffered because of maladministration is duly reflected, and it could be used the other way because if it can be shown that some of the people who would be brought into the scheme by virtue of amendment 1 had not suffered because of maladministration, due weight could be given to that. Equally, the pre-1991 undue profits issue—some people went for market glister rather than reliable long-term worth—would not be precluded from being properly addressed and balanced. We all want to achieve an adequate compensation scheme.

I shall support amendment 1 if it is pressed to a vote, and I commend amendments 2 and 7. Together, they would go some way to improving the Bill. They would also go some way to improving Parliament's reputation at a time when people have been so disappointed and frustrated by how long this problem has been allowed to run on. I welcome the Minister's assurances, which he made in an intervention, that the interests of the dependants of those who have died will also be properly addressed.

It is not enough to say, "Well, this is great; we now have something that is better than Chadwick. We now have something that is better than the previous Government's proposals." People were deeply distressed by the previous Government's long inertia and indifference, but they are not hugely impressed by urgent inadequacy. The purpose of the amendments is to ensure that we do not make errors through urgent inadequacy.

Bob Blackman (Harrow East) (Con): I pay tribute to the hon. Members who have spoken to the amendments. I praise our Treasury team, who have done a magnificent job of righting the wrong that was done to Equitable Life policyholders over many years. Opposition Members—there are some exceptions—should hang their heads in shame because of what they did when in government to Equitable Life policyholders. I came to the issue of the damage to policyholders rather late in the process—shortly before the general election. Like others, I was encouraged by my former employer to invest in Equitable Life, but it was a good job that I did not do so, or my view now might be different.

I remind hon. Members about the pledge that we made before the election: 380 MPs agreed to press for proper compensation for victims by swift, simple, transparent and fair payment schemes, as recommended by the ombudsman; and we agreed that we would all join the all-party group on justice for Equitable Life policyholders. I agree with the pledge, which I signed, and I have honoured every element of it. A large number of colleagues have not joined the all-party group that I have the privilege of co-chairing, and I encourage them to do so even if latterly.

I want to concentrate on three aspects of the amendments. The first is the moral duty that we owe to people who relied on advice and on the system of the regulator, the Government and Equitable Life. There was a major scandal, because those three bodies connived to swindle people out of their money. That is a sad indictment of what happened, and that is what set Equitable Life aside from all other aspects of the pension industry. We must demonstrate to people, especially young people, that it is worth investing in their future. If young people do not do so, there will be a sad and sorry state of affairs in this country. There is a clear moral duty.

The second issue is the amount of money that is due in compensation. I am delighted that the Treasury accepted that the ombudsman's recommendation of £4.26 billion was the right amount to which policyholders were entitled. The debate today is not about money, but the Treasury team has come to a view that because of the economic circumstances only £1.5 billion is affordable. It has also had regard to the ombudsman's report, which said clearly that relative loss must be taken into account. The Treasury team must have done some calculations to reach the figure of £1.5 billion, and I trust that the Minister will tell us in his reply today how that figure was arrived at. The reduction from £4.26 billion to £1.5 billion is dramatic, and he must respond to our points.

Claire Perry (Devizes) (Con): My hon. Friend eloquently sets out the outrage that many of us feel, having signed the pledge. Does he agree that our Government, unlike the previous Government, have reached a speedy conclusion,

as a result of which more people in the claimant group will receive compensation before there are further deaths? I agree with my hon. Friend about transparency and I, too, would support a motion to set out exactly how the calculations were made, in the spirit of our Government's commitment to greater transparency in all financial matters.

Bob Blackman: I thank my hon. Friend for her intervention. The issues are complex, and the more one reads about and understands the scandal, the more difficult it becomes to resolve it. The Government in their wisdom have set out a compensation scheme that will continue for many years. The £1.5 billion is not a one-off payment that will go into a fund this year and end the matter. It will be spread over many years, and it will extend into the next Parliament.

Mr Hoban: May I clarify the fact that those who receive compensation and are not with-profits policyholders will receive a one-off payment during this Parliament? Only with-profits annuitants will have their payments spread over the rest of their lives.

Bob Blackman: I thank the Minister for his intervention. I was going to refer to that while I was responding to the intervention from my hon. Friend the Member for Devizes (Claire Perry). The clear issue now is justice for the people in the worst possible position—the trapped annuitants. I applaud the Government for honouring the pledge that 37,000 people who have been trapped as a result of the scandal will receive 100% compensation. I strongly support and endorse that.

We have a problem, however, and amendment 1 attempts to address it. The amendment has cross-party support; we must be seen to be acting not just as a party but as parliamentarians overseeing the Executive. The problem is that if someone took out a policy on a particular day, they would receive no compensation at all, even though the maladministration was taking place at the time; whereas someone who took out a policy on the following day would get 100% compensation. There are always difficulties when arbitrary dates are set, but that is neither fair nor reasonable.

I believe that we should set aside the date and review all the trapped annuitants to ensure that they get fair and proper compensation. The Chadwick report has been rubbished by EMAG, and by Members on both sides of the House, but even Chadwick proposed a scheme that would have compensated those trapped annuitants whose policies were taken out before the cut-off date.

Mr Marcus Jones (Nuneaton) (Con): When my hon. Friend signed the EMAG pledge, as many hon. Members across the House have done, did he believe that we would end up leaving out about 10,000 pre-1992 annuitants from the compensation scheme?

Bob Blackman: I and all the others who are new to the House signed the pledge in the belief that, if we were elected, we would compensate everyone who had suffered as a result of the maladministration, rather than taking an arbitrary position to compensate some and not others. I have heard heart-rending stories from my constituents and from people all over the country who are now living on desperately low pensions, having expected much larger ones, and we have a very strong moral duty to all those people. We throw that away at our peril.

Dr Sarah Wollaston (Totnes) (Con): This is not just a question of fairness. Many of those individuals are older and very vulnerable indeed. The letters that I have received make the point that those people are living on very low incomes at a very vulnerable time of their lives, and they have already suffered from the effects of inflation. I agree with my hon. Friend that we should talk about this as parliamentarians, not on a party political basis.

Bob Blackman: My hon. Friend clearly demonstrates that we are talking about the oldest and most vulnerable people, and that they have been dealt with in a most disgraceful way following this scandal. We have a moral duty to compensate them.

Going back to the points made by my hon. Friend the Member for Cardiff North (Jonathan Evans), it is clear that when the bonuses that were attached early in the process are taken into account, some policyholders might not receive a penny piece in compensation. We need to recognise that, but there is an 18-month gap between the cut-off dates. A large number of the retired people who had taken out annuities could not adjust them once they had purchased them, and they are now trapped in that position. That is why we have a moral duty to compensate them.

Nadhim Zahawi: What action would my hon. Friend recommend? My hon. Friend the Member for Cardiff North mentioned the possibility of people being judged to have received too much. Should we take that money away from them? The malpractice took place in 1991, and we should be talking about 1991, not about 1992 or about an open-ended process.

Bob Blackman: Clearly, if exorbitant bonuses were attached to certain policies, the policyholders would not be due compensation and they would not receive a penny piece. Remember, we are talking about compensation. We cannot take money off policyholders who have been receiving pensions. Parliament just cannot do that; it would be a retrograde tax and therefore unacceptable. Those who are due compensation should receive it, but those who are not due any would not receive any, and if they have benefited in the meantime, well, that is fine and dandy for them.

Jonathan Evans: In regard to the morality of the issue, I agree with many of my hon. Friend's arguments. My concern, however, relates to the practicalities involved when people are policyholders with other companies. Many of them had large bonuses from the 1980s onwards, but get hardly any at all nowadays. We have to take account of this when we look at their asset share, compared with everyone else in the pool in a with-profits system. That is why many people believe that there is no future for with-profits business nowadays.

2.15 pm

Bob Blackman: The independent commission will need to look at the relative loss that individual policyholders have experienced as a result of the maladministration.

[Bob Blackman]

If annuitants took out policies well before the maladministration took place, there would be no relative loss, and they would receive no compensation. The nub of the issue is that we want the review to be independent, so that we can all look the policyholders in the eye and say that we have honoured our pledge to ensure that they were treated properly, and properly compensated. Under the Bill as it is drafted, we cannot do that because of the arbitrary cut-off date.

Harriett Baldwin (West Worcestershire) (Con): My hon. Friend is obviously extremely knowledgeable on this subject. Does he agree that this is perhaps not so much a question of a specific date as of whether or not a policyholder was trapped? If they are trapped, there is absolutely nothing they can do about it.

Bob Blackman: That is clearly where our moral duty arises. If policyholders are trapped and cannot adjust their position, they are unable to rectify the damage that has been done.

I want to speak briefly to amendment 7. The Government have accepted that £4.26 billion should be the full amount available to policyholders, 37,000 of whom will receive 100% compensation. That clearly involves a huge amount of money, which will come out of the £1.5 billion. The policyholders who are not trapped annuitants would therefore get something like 15% of the compensation due to them, which seems pretty unfair and unreasonable. We should set up a commission to devise a payment scheme, then look at the results. Instead, £1.5 billion has now been set aside, and an independent commission will set up the mechanism for distributing that money. That could have very serious consequences indeed.

Parliament has a problem in this regard. I applaud the Government for moving swiftly to settle this matter once and for all, but we are setting up a method for distributing the money and creating expectations out there. About 1.4 million policyholders have been affected by the scandal, and 37,000 will receive full compensation while 10,000 will not get a penny. That leaves rather a lot of policyholders among whom to divide a relatively small amount of money. When the Minister responds to the debate, I trust that he will be able to set out how the calculations were made, so that we can be clear about them.

Amendment 7 would allow us to review the position in five years' time, when the economy has recovered and the benefits of this Government are clear for all to see, and to top up the compensation further for those people who will be retiring in five, 10, 15 or 25 years' time. We also have a moral duty to honour our pledge to those people. This is one of those cases in which we have set out to do something in the proper way, and I applaud those on the Treasury Bench for moving swiftly to bring the matter to a conclusion so that payments can be made as soon as possible, but we must ensure that we fulfil our moral duty to those policyholders.

Mr Alan Reid (Argyll and Bute) (LD): I start by putting firmly on the record my belief that the Government have implemented the parliamentary ombudsman's report and have honoured the pledges made before the election. It was always part of the parliamentary ombudsman's report that this would be a political decision for the Government to make, taking the public finances into account when they set the cap. The Government have set the cap at £1.5 billion. I wish it could have been more, and I hope that it will be possible to revisit this in future when the public finances are in a better state.

I have sympathy for amendment 1, but let me state my understanding of how it would work in practice. It does not alter the cap that has already been set, so if the pre-September 1992 with-profits annuitants were to be compensated to the same level as the post-September 1992 with-profits annuitants, there would be less for the latter group of people. If the cap remains the same, and the amendment does not alter the cap, giving more to some people would mean giving less to others. I ask the Financial Secretary and the hon. Member for Leeds North East (Mr Hamilton) who moved the amendment to comment on that when they respond.

I want to press the Government on why they have chosen the date of September 1992. As other hon. Members have said, the maladministration started in June 1991. Penrose found that when the Equitable Life Assurance Society's board papers were sent to the Government Actuary's Department on 11 June 1991, there was information in those papers showing that the society was not in a good position. Had the Government Actuary's Department publicised that information at that time, investors would have been deterred from investing in the society. There is a strong argument for saying that the date should be not September 1992 but June 1991.

On 30 July 1992, in an internal briefing, the Government Actuary's Department described the society as being one of the

"companies on whom we have been keeping a close watch for a number of years"

and said that Equitable Life remained a company "which caused serious concern". There was evidence in July 1992—in fact, before July 1992—that the Government Actuary's Department was aware that Equitable Life had problems. Surely that should have been made public and investors should have been deterred. In his response, will the Minister clarify why the date of September 1992 was chosen, because it certainly seems to me that an earlier date—say June 1991 or possibly even earlier—would have been more appropriate?

Mr Marcus Jones (Nuneaton) (Con): I would like to speak mainly about the position of with-profits annuitants and the pledge that I and other Members of all parties made before the general election—that the Government should make fair and transparent payments to those who had suffered as a consequence of the debacle of Equitable Life. I am talking about 350 local people in my constituency who are part of the Equitable Members Action Group. Those 350 include people associated with many companies that were in the Equitable Life scheme. Many hundreds of other people are affected. For some, Equitable Life provided their only private pension to supplement their state pension provision.

I welcome the fact that for a number of my constituents, that pledge has been made good, and I understand that the trapped annuitants in the post-1992 cohort will receive 100% of their compensation. I am delighted about that. Needless to say, I am also very concerned

for the pre-1992 Equitable Life investors for whom, it seems, there will be no compensation at all. That seems contrary to the recommendations of the parliamentary ombudsman, contrary to EMAG's suggestions and contrary to the views of Sir John Chadwick, for whom not many Members have a great deal of time.

I understand that it is difficult to quantify the losses, but, if the Government have the will, the losses of the pre-1992 annuitants should be explored. The people to whom we made a pledge before the general election in May were not necessarily concerned whether they were pre-1992 annuitants or post-1992 annuitants. Their concern was as Equitable Life policyholders looking for justice.

If the Government and the Treasury have the will to deal with this situation, they should do so; if not, they should explain how I justify the position to constituents who have been wronged.

If the Government and the Treasury are prepared to look at compensating the pre-1992 annuitants, there has to be a health warning, because there is a law of unintended consequences, should we be stuck at the compensation figure of £1.5 billion. Many of my constituents who are post-1992 annuitants might be unaffected by any decision to include the pre-1992 annuitants.

Amendment 7 deals with that position and the relative losses. The Treasury should consider it, although I am concerned about whether it could be taken into account within the current comprehensive spending review or would need to be considered after the current CSR period expires.

I would like to ask the Minister several questions. First, will he look again at how to compensate the pre-1992 annuitants, and at how that might be quantified? Will he commit to working with his Treasury colleagues to take into account payments beyond the CSR period to enable the pre-1992 annuitants to be compensated without prejudicing the position of the post-1992 annuitants and that of Equitable Life policyholders generally?

I implore the Minister again—I did so in the last debate on this subject—to recognise that the Government's decision over Equitable Life raises questions not only about the integrity of the current Government, but about the integrity of savings and investments for one's retirement. I am well aware that many of my constituents do not have their own retirement provision. The Government should encourage people to provide for their retirement, but if we do not ensure that there is a safety net for people who have invested and done the right thing for their retirement, they will think that it is not worth putting themselves out by investing money for their retirements during their early years of work.

I ask the Minister to consider those points extremely carefully before any decisions are taken this afternoon.

Mr Hoban: I start by referring to the closing question from my hon. Friend the Member for Nuneaton (Mr Jones). He will be aware that in July we published proposals to strengthen the regulation of retail financial services, including pensions, which I hope will go some way towards reassuring people that we have learned the lessons from the past and put in place a much more stable and robust framework for the regulation of long-term savings.

I am grateful for the opportunity to discuss, first, the role of the parliamentary ombudsman in developing our policy on the payment scheme. Her work has been central to our approach. I also want to focus on with-profits annuitants and those who took out their policies prior to September 1992. These issues have been raised particularly since our announcements in the spending review. I hope that I can bring some clarity to the treatment of different groups of with-profits annuitants.

2.30 pm

At the spending review, my right hon. Friend the Chancellor announced that about £1.5 billion of funding will be provided for the Equitable Life payment scheme. As hon. Members have said, that is more than four times the figure produced by the Chadwick process, which was set in motion by the Opposition. The funding includes the full cost of losses to policyholders with with-profits annuity policies—approximately £620 million—which will be paid through regular payments. That amount is to cover those with with-profits annuity policies, whose policies started between 1 September 1992 and 31 December 2000. As hon. Members have indicated, those who took out with-profits annuity policies prior to 1992—in fact, not just with-profits annuitants but anyone who took out a policy prior to 1 September 1992—are excluded from the scheme. The Government are committed to implementing the ombudsman's recommendation to introduce a fair and transparent payment scheme to Equitable Life policyholders for their relative loss as a result of regulatory failure. That is what the ombudsman asked us to do, and that is what we are implementing. The Bill authorises us to make payment under the scheme.

Nadhim Zahawi: Is it not precisely the point that, rather than being an open-ended compensation scheme, the scheme relates to malpractice?

Mr Hoban: My hon. Friend is absolutely right. Our obligation is to compensate people for regulatory failure by the Government when they were the regulator of Equitable Life. The scheme is not an open-ended compensation scheme. It is very focused, and that was the ombudsman's recommendation. Her locus in this matter is a consequence of the Government having acted as the regulator for Equitable Life during the period in question.

Let me explain to the Committee and to the hon. Member for Leeds North East (Mr Hamilton), who raised the question, why 1 September 1992 is a logical, not arbitrary, date. The ombudsman indicated in her report that there were problems with the regulatory returns for 1991, and that those could influence policyholder behaviour. However, they could not have come to the attention of policyholders, and prospective policyholders, before they were submitted at the end of June 1992. No policyholder would have been aware of that regulatory failure until the returns had been published. It is unlikely that those returns would have come to anyone's attention prior to 1 September 1992. I stress that the date is not arbitrary, but a consequence of the ombudsman's findings and how they impact on what policyholders would have been aware of. Policyholders would not have been aware of the regulatory failure until the autumn of 1992.

Mr Fabian Hamilton: I accept the Minister's point about the date not being arbitrary, but does he not accept that the regulatory failure affected those annuitants who could not change their annuities, even if they were purchased before September 1992? Along with those annuitants who purchased policies after September 1992, they continue to see a decline. Therefore, they were affected by regulatory failure.

Mr Hoban: The hon. Gentleman makes an assumption that the scheme is open-ended, but it is designed to compensate policyholders who invested in Equitable Life from 1 September 1992. With regard to the implications of that, I shall respond to the intervention by my hon. Friend the Member for Cardiff North (Jonathan Evans).

Mr Weir: Will the Minister explain further, as I do not quite understand? He seems to be saying that only those who became aware of a regulatory failure in 1992 are affected. However, am I not right in thinking that that suggests that the regulatory failure goes back prior to 1992, and would have affected people then, although they would not have been aware of it? Are those people not entitled to compensation?

Mr Hoban: The ombudsman is concerned about people who invested in Equitable Life who might not have done so had they been aware of that regulatory failure. That regulatory failure would not have been known to them until September 1992, so there is a clear, rational argument for 1 September 1992 being the right date to start the calculation of losses.

Several hon. Members *rose—*

Mr Hoban: Let me continue.

We are excluding that group of people because they took out policies before any maladministration could have affected their investment decision. Therefore, to echo my hon. Friend the Member for Cardiff North, they suffered no relative loss.

Bob Blackman: But will the Minister answer the moral issue? At the time when people were making investment decisions, and taking out these policies, the regulatory failure was going on. As they became victims of that regulatory failure, surely we have a moral duty to compensate them.

Mr Hoban: When people made the decision on the information available to them, the relevant information was not in the public domain, and would not have affected their investment decision until September 1992. That is a clear, logical, sensible starting point, based on principles and on the ombudsman's findings, for the maladministration, and that is the point from which we should calculate relative loss for policyholders.

Mark Durkan: The Minister is in danger of asking the Committee to accept the notion that customer ignorance can be a legislator's excuse. That cannot be so. If the Minister is trying to say that what they did not know did them no harm, that is preposterous. They did not know, and they have suffered harm.

Mr Hoban: I do not agree with that point. There is a clear principle: the basis on which people were investing in Equitable Life. At that point, no one knew about the maladministration.

We should also bear in mind the issue of practicality and the lack of information available to Equitable Life's policyholders. Hon. Members should reflect on the fact that no one would have made investment decisions based on anything that happened prior to 1992 until that information was in the public domain. That is why the group has been excluded from the calculation of relative loss.

Mr John Baron (Basildon and Billericay) (Con): My hon. Friend is being generous in giving way. No one suggests that the situation is not difficult, but whether or not one was aware of maladministration, and whether or not it existed pre '92, surely the central point is that annuitants who took out a policy pre '92 suffered relative loss post '92, courtesy of maladministration. To return to an earlier point, perhaps there is a moral duty to include such people in the compensation, as I believe that the parliamentary ombudsman suggested.

Mr Hoban: The parliamentary ombudsman's findings were clear: she said that the maladministration started in 1991, but that it would not have been obvious to policyholders until September 1992.

Let me deal with two issues that hon. Members should have take into account in assessing the point. First, as has been mentioned, there are challenges around getting information for the pre '92 period. Secondly, there is the point made by my hon. Friend the Member for Cardiff North about the timing of losses. We recognise that pre '92 with-profits annuitants were affected by how Equitable Life was run. Sir John Chadwick and Towers Watson looked into what those WPAs would have received from Equitable Life had there been no maladministration. They concluded that they received more from Equitable Life as a result of maladministration than they would have done had it been properly regulated. That was because Equitable Life paid out more to them in the early years than it would have done had there been no maladministration. Let me give an example to prove that.

If a with-profits annuitant had purchased their policy in 1989 and gained through that purchase an income of £7,200, by 1993 the policyholder would have been receiving an annuity of approximately £10,000 per annum. Part of that sum was a result of the bonuses that had been declared on the policy since commencement. It is recognised that Equitable Life was paying higher bonuses than it could afford during the late 1980s and early 1990s. If Equitable Life had not been over-bonusing during that period, Towers Watson has calculated that the policyholder would have received only £9,500 per year. It is a consequence of the maladministration that the policyholder is receiving £500 more than he or she should have during that period.

Equitable Life continued to overpay bonuses throughout most of the 1990s. As a result, by 2002 that policyholder was receiving £17,000 per annum. If the over-bonusing had not taken place, the policyholder would have received only £15,800, so he or she was still receiving more as a consequence of maladministration.

In 2003, Equitable Life cut the rate of annuity payments to its with-profits policyholders by about 20%. In the absence of maladministration, the value of payments to with-profits policyholders would also have been cut, although, owing to market performance, by only 18%. After the cuts in 2003, our example policyholder was receiving £12,900 per year from Equitable Life. Had there been no maladministration, he or she would have been receiving only £12,300. I hope that that example has helped to clarify the consequences of maladministration, namely that even after the cuts in 2003 policyholders are still receiving more than they would have if Equitable Life had been properly regulated. For a range of reasons, their plight is not as it has been represented.

The first question to be asked, then, is "When did maladministration affect policyholders and the decisions that were made?" The second relates to the practicality of extracting data pre-1992, which is well established and has been well aired in the Chadwick report and elsewhere; and the third concerns the consequence of maladministration in Equitable Life, which is that with-profits annuitants are receiving more over the lifetime of their policy than they would have received if that maladministration had not taken place.

Jonathan Evans: I was interested in the way in which my hon. Friend dealt with my point about over-bonusing, but I feel that he has undermined another point that I made: I suggested that it was not possible to make such calculations, but my hon. Friend has suggested that Towers Watson has done so. In a sense that also undermines the thrust of why the pre-1992 policyholders should be excluded. I had assumed that they might not have been disadvantaged and that it was too difficult to work out the numbers, but if Towers Watson has worked out those numbers and there is no relative loss, it seems a bit odd not to include them, at least for the purpose of calculating the position and telling them that there is no loss.

Mr Hoban: I was trying to make two points. First, those policyholders were excluded from the calculation of relative loss as a consequence of the ombudsman's findings and her view on when maladministration had taken place. According to the example that I have given, they would not have suffered loss in any event. I am merely saying that, in my opinion, there is a strong case in principle for the exclusion of those policyholders, and in practical terms they have not suffered loss.

Mark Durkan: Will the Minister give way?

Mr Hoban: I want to make some more progress.

The fact that with-profits annuitants who bought their annuities before 1 September 1992 have seen a reduction in the level of payments that they currently receive from their annuities is a result of poor investment market performance and the fact that their earlier annuity payments were artificially high. That was because of the structure of the policies that they bought, or because they received too much in the earlier years, as Equitable Life paid out more on a discretionary basis than it should have. Unlike the value of conventional annuities, the value of a with-profits annuity varies according to investment return. Although the reductions are regrettable, they are not instances of Government maladministration, and therefore Government should not be providing compensation for that group of policyholders.

2.45 pm

A number of Members mentioned Sir John Chadwick. My hon. Friend the Member for Harrow East (Bob Blackman) said that Sir John's report had been rubbished by some people. The report included a mechanism for the calculation of internal relative loss that would have dealt with the pre-1992 annuitants, but, as my hon. Friend said, there was widespread criticism of it—not just in the House but by all the commentators, by EMAG and by others. No one came forward with an alternative scheme to compensate the pre-1992 annuitants, because no one had really thought about them. It needs to be recognised that they fall outside the parameters of the ombudsman's report, because she did not envisage a need to compensate them.

Let me now deal with the future role of the ombudsman in this process. When we came to office, we pledged to

"implement the Parliamentary Ombudsman's recommendation to make fair and transparent payments to Equitable Life policyholders".

My right hon. Friend the Chancellor of the Exchequer confirmed that pledge at the time of the comprehensive spending review, when he announced our plans that we have for the scheme.

As we all know, the ombudsman has worked tirelessly to help to ensure that justice is delivered to the policyholders who have waited so long for a resolution of this issue. Her continued interest in the matter has been of great help, and has brought some clarity to what is clearly a very complex issue. The ombudsman has been generous with her time, and has continued to contribute to the debate. She has, for instance, appeared before the Public Administration Committee. I discussed the Chadwick report with her in the run-up to the spending review, and her views helped the Government to reach a view on the losses suffered by policyholders.

I should welcome any continued contribution that the ombudsman might wish to make to the debate on Equitable Life, and if she wished to advise Parliament of her views on the work of the independent commission, that would assist both the House and the Government; however, I think it would be inappropriate to require her to play such a role. Her role and remit are clearly set out in the Parliamentary Commissioner Act 1967, which does not give the ombudsman a standing obligation to continue to advise this House as to the response to her reports. There is good reason for that, not least the need to make appropriate use of the ombudsman's resources. It must be for the ombudsman herself to decide what role she wishes to play once she has finished her investigation.

The hon. Member for Nottingham East (Chris Leslie) asked how we would implement the ombudsman's approach. We have said that the Government accept the calculation of relative loss as £4.3 billion. The ombudsman wrote to Members on 26 July this year saying that she recognised that the relative-loss approach adopted by Towers Watson

"provides a firm foundation on which to build."

That is the basis on which we introduced the scheme and accepted the losses.

The independent commission will advise on the allocation of remaining funds to not-with-profits annuitants, apart from the post-1992 WPAs. The Equitable Life database allows us to apply relative-loss methodology to each

policyholder's data, so there will be no individual requirement to claim or provide evidence of claim, or indeed to reveal the instances of maladministration that are relied on. That will benefit all policyholders who suffered relative loss. The ombudsman spoke of reliance on regulatory returns, but Sir John's alternative approach does not require us to ascertain what reliance was involved. Effectively, that gives people the benefit of the doubt, and in my view it means a simpler, fairer and more transparent scheme.

Sir John also talked about the distribution of losses, which was mentioned by my hon. Friend the Member for Harrow East. Thirty per cent. of policyholders suffered no loss at all, about 405 suffered a loss of between £1 and £1,000, and 60% suffered a loss of between £1 and £5,000. Therefore, as Members will recognise, the distribution of losses is quite varied. A large number of policyholders either have no loss or suffered a relatively small loss. That gives the payments commission some flexibility in respect of the design of the scheme and how to use the pot. I should, however, stress to Members that the amount that is available is fixed, so while we may want to be more generous to one group, that would mean that another group suffers. We need to bear that in mind in considering eligibility.

I encourage my hon. Friends to reject any amendments in this group that are put to a vote. We have come up with a fair scheme that is based on the ombudsman's findings; the loss reflects her calculation. I therefore think this is a good scheme, representing a balance of fairness between policyholders and taxpayers.

Mr Fabian Hamilton: I am grateful to the Minister for his clear explanation of his rationale for the compensation scheme. I am afraid, however, that I still do not accept the argument that the cut-off should be absolute and rigid and that those who took out annuities before 1 September 1992 should not receive any compensation or be eligible in any way. As I do not fully accept his argument, I will press amendment 1 to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 76, Noes 301.

Division No. 114] [2.51 pm

AYES

Alexander, Heidi
Baron, Mr John
Bayley, Hugh
Bell, Sir Stuart
Bingham, Andrew
Blackman, Bob
Blenkinsop, Tom
Burden, Richard
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Clark, Katy
Clarke, rh Mr Tom
Cooper, Rosie
Corbyn, Jeremy
Crausby, Mr David
Cryer, John
Cunningham, Mr Jim
Davidson, Mr Ian
Davis, rh Mr David
Dobson, rh Frank
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Dowd, Jim
Durkan, Mark
Edwards, Jonathan
Flynn, Paul
Freer, Mike
Fuller, Richard
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Godsiff, Mr Roger
Harris, Mr Tom
Havard, Mr Dai
Henderson, Gordon
Hermon, Lady
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Kaufman, rh Sir Gerald
Llwyd, Mr Elfyn
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
MacNeil, Mr Angus Brendan
Mactaggart, Fiona
Mann, John
McDonnell, Dr Alasdair
McDonnell, John
McGovern, Jim
Miller, Andrew
Mitchell, Austin
Moon, Mrs Madeleine
Mudie, Mr George
Murphy, rh Paul
Osborne, Sandra
Paisley, Ian
Shannon, Jim
Sheerman, Mr Barry
Simpson, David
Skinner, Mr Dennis
Smith, rh Mr Andrew
Stringer, Graham
Stuart, Ms Gisela
Vaz, rh Keith
Walley, Joan
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whittaker, Craig
Williams, Hywel
Wilson, Sammy
Wishart, Pete
Wollaston, Dr Sarah
Wood, Mike

Tellers for the Ayes:
Mr Fabian Hamilton and Stephen Lloyd

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Binley, Mr Brian
Birtwistle, Gordon
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Browne, Mr Jeremy
Bruce, rh Malcolm
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Fullbrook, Lorraine
Gale, Mr Roger
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Grayling, rh Chris

Green, Damian
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Maynard, Paul
McCartney, Jason
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Tapsell, Sir Peter
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Jeremy Wright and Mark Hunter

Question accordingly negatived.

Chris Leslie: I beg to move amendment 3, page 1, line 7, at end insert—

'(2B) The design and administration of any scheme of payments to which this section applies shall be independent of government.'.

The First Deputy Chairman: With this it will be convenient to discuss the following:

Amendment 4, page 1, line 7, at end insert—

'(2C) The Treasury shall publish details of the independent appeals procedure for policyholders as defined in subsection (2) above to use in the event of dispute over the compensation payment decision in their case, no later than three months after commencement of this Act.'.

Government amendment 6.

New clause 1—*Distribution of payments*—

'(1) An independent payments commission shall be established comprising three members appointed by the Secretary of State.

(2) The independent payments commission shall design a distribution scheme for payments made arising from this Act.

(3) In designing a distribution scheme under subsection (2) the independent payments commission shall consult with interested parties, including the Equitable Life Assurance Society and representatives of policyholders.

(4) The Treasury may make provision by order made by statutory instrument for payments to be made in line with the distribution scheme designed by the independent payments commission.

(5) A statutory instrument containing an order under subsection (4) may not be made unless a draft has been laid before and approved by resolution of each House of Parliament.'.

Chris Leslie: I shall speak to amendments 3 and 4, which stand in my name and the names of my hon. Friends. Amendment 3 would enshrine in the Bill the

[Chris Leslie]

fact that the design and administration of any payments scheme should be independent of Government. It is pretty straightforward and simple—in fact, it would be difficult for it to be more straightforward and simple—but we think it important to try to encourage the Government to enshrine in the Bill the Minister's pronouncements so far that the design of the compensation scheme should be independent of Government. That is an extremely important point, especially as it was part of the conclusions drawn by the parliamentary ombudsman herself.

The Minister has asked the independent commission, chaired by Brian Pomeroy, to report by the end of January, but there is too much wiggle room for the Minister then to take those recommendations and bring the design and the administration of the subsequent payments scheme in-house within the Treasury. I see no clear reason why the Bill does not contain clarity on the next steps forward, particularly in relation to the daunting task of creating a payments scheme to cover upwards of 1 million policyholders not falling into the 100% compensated with-profit annuitant category.

Many other policyholders are still sceptical of the Government's intentions and EMAG, which is the body representing many of those policyholders, is voicing its discontent with those who, before the election, signed up to their pledge to create "fair and transparent" payment schemes, which they now attack as akin to asking 1 million people—to quote the words of EMAG's Paul Braithwaite—to

"share a pack of Smarties".

Obviously, EMAG is making its point in its own particular way, but clearly there is some doubt and some cynicism about the approach that the Minister is taking. I am sure, having heard what he has had to say before, that he indeed wants a level of independence in the payments scheme as far as possible, but I do not understand why that commitment has not been included in the legislation. That would seem to me to be the best way forward.

Amendment 4 seeks to tackle the issue of any appeals procedure that might be necessary for policyholders in the compensation scheme. We suggest that no later than three months after the commencement of the Bill the Treasury be required to spell out quite how that appeals procedure would operate for the policyholders who are not content with the judgments made in the compensation scheme that eventually ensues. Several hon. Members argued for an appeals procedure on Second Reading on 14 September—my hon. Friend the Member for Ynys Môn (Albert Owen) among them—and it was also raised by my right hon. Friend the Member for East Ham (Stephen Timms).

In that debate, the Minister stated that he had raised the issue with his officials but that there were clear problems. He said he would pursue it, so the purpose of the amendment is to find out whether he has had the opportunity to do so and what the appeals process will look like. I certainly expect that there will be complexity, not just in the payment scheme but in any subsequent individual appeals adjudication, and that could be quite difficult to imagine at this stage. However, it needs clarification given the route that the Minister has chosen, moving away from the ex gratia model in the Chadwick methodology and instead accepting the ombudsman's approach to compensation.

I was glad that the Minister said there were components of the Chadwick methodology that he favoured bringing into any compensation scheme—specifically that there would be no burden of proof on individual policyholders to show that they had been misled by the regulatory returns. That would certainly make the scheme simpler. Will the Minister take this opportunity to tell us whether the independent payments commission will eventually metamorphose into an authority for administering the payments? If so, will it be asked to design an appeals system, or is it the Treasury's intention to undertake that part of the design?

Perhaps the Minister could say whether he sees any parallels with the appeals system set up when the former Department of Trade and Industry introduced an appeals mechanism in respect of the ill-health complaints about what was then known as vibration white finger. He will remember that a series of complex compensation payments were made in those cases, but an appeals system was set up that had a route into a judicial process and eventually to the High Court. If some policyholders might become involved in a judicial process, it would be useful to have clarity about whether the same will happen.

Will the Minister also confirm not only, as I think he said, that the administrative costs of operating the compensation programme will be separate from the compensation fund, but that any appeals costs will also be separate from the compensation fund? I am sure that the Committee will welcome any clarification of the Government's intentions, and in the meantime we felt that the amendment was a reasonable device to ensure that those answers are forthcoming.

Bob Blackman: I shall speak to new clause 1, which I tabled, but I made a long speech on the earlier group of amendments and I do not want to repeat all the points I made then.

We need to make the whole process clear, transparent and independent of Government so that the money that has been set aside to compensate the victims of this scandal is seen to be distributed so that they receive their due compensation in a manner that is independent of the Treasury. The dead hand of Treasury officials should not mean that the scheme is designed in a particular way. I do not necessarily need to press the new clause, but I seek assurances from the Minister that we have a full, independent, transparent way to compensate the victims, who have been so badly treated over the past 10 years.

3.15 pm

Mark Durkan: Obviously we are waiting to hear what the Government will say about their amendment, but the other amendments—including the new clause proposed by the hon. Member for Harrow East (Bob Blackman)—are in essence an attempt to ensure that there is a sense of competent independence in how the scheme is administered and payments made. In terms of making appeals available and ensuring that the design and administration of the scheme are independent of Government, the new clause offers a reasonable construct of what a clearly independent scheme would be.

In the debate on the previous group of amendments, there were plenty of references to pledges that many of us signed and how far the Government's measures will mean that we have discharged those pledges, but I do not think that any of us signed pledges that said we would do the whole thing just according to Treasury lights and nothing else. The amendments are an attempt to ensure that it will be not only Treasury lights that govern the terms of the scheme and its performance.

Mr Weir: Does the hon. Gentleman not feel, however, that the problem remains that the whole thing will be governed by the ultimate cap? That is the difficulty that faces all Equitable Life policyholders.

Mark Durkan: Yes, I do. There is no escaping the constraints that the cap will create. In the last group of amendments, we considered the questions that arise when the cap comes together with the cut-off. That conspires to create a pretty selective injustice for a group of people who are then left with very marginal compensation.

Even a very independent process, such as that proposed in the amendments, will be constrained by the cap. However, people would trust a credible independent process applying that cap with due consideration for all the concerns, rights and needs of policyholders more than they would trust the Treasury. In the last debate some Government Members said confidently how impressed they had been with the Treasury since they came into the House. That might well be—we are in the early stages of this Parliament and this Government and the first few pages of the exercise book are lovely, neat, impressive and perfect—but degeneration creeps in later on and even the Treasury will revert to its traditional roots and habits.

Mrs Anne Main (St Albans) (Con): I have confidence in the Treasury trying to sort this out—I am sure that the hon. Gentleman will not be surprised to hear that. However, I am concerned about anything that pushes this matter into the long grass. We do not need any more delays caused by trying to set up other bodies. That is why I would like to say, "Get on with it and get the Treasury doing it."

Mark Durkan: I do not believe that the hon. Member for Harrow East, for example, is trying to sow or fertilise long grass. This is about getting something that is credible, competent and reliable and the Committee should try to help in that regard. That is the spirit of these amendments.

There has been much criticism of the underperformance, to put it mildly, of the previous Government on this issue over more than one Parliament. Let us remember that those Ministers were not deliberately ignoring the plight of their own constituents who were coming to them or the problems highlighted by many of us from constituencies across the United Kingdom. They were constrained by the advice that they were getting from the same Treasury that people are now so happy with. The Treasury was advising that serious precedents and problems would be created.

Mr Nigel Dodds (Belfast North) (DUP): I understand what the hon. Gentleman is saying, but Ministers are there to take decisions. They listen to advice but it is up to them to make things happen. He and I, as former Ministers, know that only too well, so why is he making an excuse for the inaction of the previous Government and their failure to respond to the needs of Equitable Life policyholders?

Mark Durkan: If the right hon. Gentleman had been here for the debates on earlier amendments, he would know that I made no such excuses then. Indeed, in all previous debates, I have been very critical of the performance of previous Governments. We have both been the Finance Minister in Northern Ireland, as he says. When I held that position, I used the line, "I'm the Minister of Finance; I don't suffer from depression but I am a carrier." That is the effect: Treasury Ministers are put in that sort of position. They become aware of constraints and difficulties that they then have to put before everyone else and impose on them as well.

My point is not that Ministers were right or wrong to listen to the advice but that we, as a Committee, must choose whether to go along with the Bill and say that the scheme will proceed only according to Treasury lights or whether to say instead that it should go according to wider lights and be informed by the sort of considerations reflected in the various amendments that hon. Members have tabled and by the many good observations made by Members on both sides of the Committee. Either we want to trust the Treasury and leave the scheme entirely in its hands, with its considerations and constraints alone, or we want to honour the spirit of what we have all pledged to those who have lost out with Equitable Life and to act in the light of the sad experiences that we have heard about.

I commend the amendments to the Committee. I shall wait to hear what the Government say about their amendment, but it seems to reinforce the Treasury's whip hand over the whole scheme.

Mr Hoban: I take the same view as the right hon. Member for Belfast North (Mr Dodds) on the responsibility of Ministers. Civil servants provide advice but Ministers decide and act and we cannot ignore that responsibility. We have taken this matter very seriously and have sought, over the past six months, to drive through a speedy resolution to the problem. I echo the remarks of my hon. Friend the Member for St Albans (Mrs Main) on tackling this matter.

On the amendments before us, the purpose of amendment 3 is to make the design and operational mechanism of the scheme "independent of government". I understand the need for independence in the design of the payment scheme, which is why I established the Independent Commission on Equitable Life Payments. The commission's advice will necessarily form the basis of the scheme's design. It will advise on how best fairly to allocate payments among policyholders, with the exception of with-profits annuitants, and it will consider which groups, if any, should be prioritised. It is right that that process should be independent, so the scheme will be independently designed.

The Government have considered whether the scheme should also be operated independently of the Government, as amendment 3 proposes, and have concluded that that would not be appropriate for three key reasons. First, it would delay the commencement of payments. Our ambition is to start making payments in the middle of next year using our preferred delivery partner National Savings

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and Investment. I shall say more about that on amendment 6. If amendment 3 were accepted, NS&I, which is an Executive agency of the Treasury, could not be used as the delivery partner as it would not be operating independently of the Treasury, which would therefore have to establish a new, independent body or identify an existing such body that could operate the scheme. It is also likely that legislation would be required to task the independent body with the design and operation of the scheme, which would delay significantly the making of payments to policyholders.

Secondly, the Government have established an independent commission to advise on the allocation of payments. This function is independent of the Government and is key in determining a fair allocation of payments. Making the operational delivery provider, whose job is largely about sending out the payments and making sure that cheques get to the people who are entitled to receive them, independent of the Treasury would not add significant value to that task.

Finally, it is important to ensure that value for money is considered when deciding on a delivery partner. The Treasury has satisfied itself that NS&I has the capacity and the capability to deliver the scheme, while at the same time providing value for money. The Government consider that by establishing the Independent Commission on Equitable Life Payments on 22 July, we achieved the aim that is at the heart of the amendment.

I turn to amendment 4 and what policyholders should do if they consider that they are not being treated fairly under the scheme. The Government are committed to treating policyholders fairly. In line with that, there will certainly be a means by which policyholders can raise concerns about the incorrect application of scheme rules to individual cases. We have given much thought to how best to deal with complaints and have made a great deal of progress in putting together a process that is fair and thorough. Full details of this process will be included in the document that sets out the scheme design in full.

Angie Bray (Ealing Central and Acton) (Con): I spoke about this last time we discussed the matter. Given that the message to savers from the previous Government was non-existent or at least negative, does my hon. Friend think the message that the present Government are sending to savers is adequate? Are we saying clearly, "We understand that you have been badly let down by Government and we want to put things right as much as we can, given the circumstances in which we find ourselves"?

Mr Hoban: My hon. Friend makes an important point. There are two aspects to it. First, in respect of Equitable Life, the speed with which we have acted demonstrates our commitment to a resolution of the problem. The second is a forward-looking and prospective issue, which is why we have brought forward proposals to improve the regulation of retail financial services through the establishment of the new Consumer Protection and Markets Authority. That will be a boost to regulation and give confidence to savers that the market will be better regulated. It is important, and we have introduced measures recently, to ensure that if anything goes wrong, there is a proper process in place to tackle that.

I was commenting on the scheme appeals mechanism, which will be published before the scheme begins making payments and will be made available for parliamentary scrutiny. If a policyholder believes that the rules of the scheme have been incorrectly applied to their data, they will be able to raise a query with the delivery body, stating the nature of their concern. The query will be pursued by the delivery body.

If there is merit in the challenge and it is upheld, a recalculation will take place. If the challenge is not agreed by the delivery body, the policyholder will have the option of taking their case to the review panel. The review panel will consider the case in full and be able to make a fresh decision based on the facts of the case. It will be independent of the original decision-making process. If a complainant's case is upheld, the review panel will ensure that a recalculation is carried out. If the complainant remains unhappy with the review panel's decision, they will be able to challenge that decision in court by way of judicial review.

Sir Alan Beith (Berwick-upon-Tweed) (LD): My hon. Friend referred to cases in which the rules of the scheme might not have been correctly applied, but such are the complexities of Equitable Life policyholders—for example, a constituent of mine whose policies were additional voluntary contributions in a pension scheme which has been wound up—that someone might wish to argue that their particular type of case had not been envisaged in the way the rules were formulated, and that a specific decision needed to be made in that case. Will the scheme be wide enough to make that possible?

Mr Hoban: My right hon. Friend makes an important point. I would expect the payments commission to design a payments scheme that would be sufficiently comprehensive to ensure that all groups of policyholders were covered by it, so any appeal would be on the basis only of any data used to calculate the losses, rather than an appeal in principle against the design of the scheme. I will bear in mind the point that my right hon. Friend makes and encourage the commission, when it takes representations from people, to think as widely as possible about the different groups of policyholders that need to be taken into account.

Chris Leslie: The Minister is being extremely helpful and at least setting out a sense of what the architecture of that appeals system will be. He said that it would be subject to parliamentary scrutiny. Can he say for the record that the relevant statutory instrument will be subject to the affirmative procedure?

3.30 pm

Mr Hoban: There is no requirement in the Bill to lay the scheme as a statutory instrument, but I shall ensure that when the scheme design is produced, it is laid before the House and there is an opportunity to scrutinise it.

The hon. Gentleman asked a question about the cost of administration and the cost of the appeals mechanism, and he was right to recollect that I said previously that the cost of administration would be separate from the compensation pot. That is still the case, and it goes without saying that the cost of the appeals mechanism

will also be separate from the compensation pot. We want the money that is set aside for compensation to be used for compensation.

Bob Blackman: I am grateful to the Minister for outlining the appeals process, which, in this complex and complicated arrangement, will be important. Will he elucidate further on the effect of the time frame of the appeals process? What would happen if, for example, an individual policyholder or set of policyholders, who felt that they had been wronged and not received the compensation that they were due, went through the process and that led to a breach of the cap? If they were suddenly compensated with a lot more money than had already been allocated, how would that be dealt with?

Mr Hoban: In that situation, there would be two aspects: first, the design that the payment scheme had applied; and secondly, the data that were available to the policyholder. The scheme will be designed in such a way that it does not breach the cap, so it would be possible to appeal only if the data were incorrect. The data that will be used to calculate the compensation will come from a database supplied by Equitable Life, and I hope that its data are of a high standard, so that those situations do not occur.

From the details given today, the Government have been considering very carefully the design of the appeals procedure, and we will publish details of the procedure, along with other aspects of the scheme, ahead of the time that amendment 4 proposes. So in light of that we believe that the amendment is not necessary.

Let me turn to amendment 6, which is in my name. The delivery of the Equitable Life payments scheme is an important matter, and since we took office we have made huge strides towards finding a resolution to the Equitable Life issue. However, we are aware that, for many policyholders, the issue will continue until they finally receive the money. As such, it is important that we find the right delivery partner to help us do that. Having given the matter careful consideration and looked at a range of options, our preferred option is to use NS&I, to deliver the scheme.

Officials have held many meetings with NS&I to find out not only whether it is capable of carrying out that important task, but the processes by which delivery could be carried out. There are many factors that make NS&I an appropriate delivery partner for the scheme. One of the most obvious and important is capability. As part of its everyday functions, NS&I makes millions of payments to customers every month. It has processes and infrastructure in place and experience of carrying out the functions that the scheme will require.

The need for value for money in the delivery of the scheme is also important. We are all aware that, in a climate where we have had to make difficult decisions about where to make cuts, the Government must look for ways of making the cost of delivering the scheme reasonable. Using NS&I will allow us to draw upon existing Government relationships and contracts, and I am satisfied that NS&I can provide a good delivery mechanism by which we can start making payments in line with our stated ambition of the middle of next year.

Chris Leslie: I am grateful to the Minister for the information about National Savings & Investment being the preferred vehicle. In theory, there is a separation between policy, in terms of the scheme design, and operations, in terms of the administration but blurred edges can sometimes appear between the two. Will the independent commission hold the ring in any disputes about the mechanism, timing and administration of the scheme? Who will be the final arbiter of any disputes that arise from the process? Presumably, it will be the independent commission.

Mr Hoban: The hon. Gentleman makes an important point, and it is vital that we are able to operationalise, as it were, the scheme design. That is why I have encouraged the payments commission to engage with NS&I to ensure that the scheme that the commission designs can be delivered. That is an important part of the process, and I expect the commission to do that during the course of its work. I think that addresses the hon. Gentleman's point.

Let me turn finally to new clause 1 and the status of the independent commission. I have already spoken about the importance of the work of the commission, and I am not sure that the new clause, which would give it statutory footing, would add value to its work.

Mark Durkan: Returning to amendment 6, can the Minister assure us that it is there only to provide proper statutory cover to the director of savings and NS&I in relation to the scheme, and not to extend Treasury control or constraints in relation to it?

Mr Hoban: I can give the hon. Gentleman that assurance. We could not use NS&I if we did not include this power in the Bill. Its purpose is to enable NS&I to act as a delivery partner, not to give the Treasury some way of reaching back into the payments scheme. I reassure him, and others, that the power is there merely to deliver the outcome of the scheme.

The role of the payments commission will be key. It will advise on the distribution of payments to those other than WPAs, and I will take its advice extremely seriously. The new clause would introduce a requirement for the commission to consult key bodies in the development of its advice, but let me tell my hon. Friend the Member for Harrow East (Bob Blackman) that it would need no statutory encouragement to do so. The commission has already met Equitable Life and EMAG, and it has published a discussion paper asking for more views on the guiding principles for determining fairness in allocating and prioritising the funding. I do not believe that an amendment to the Bill would make it any more consultative and thorough in its task. My hon. Friend is aware that I have made the commitment to go along to the all-party group with the chairman of the commission to engage with parliamentarians on this matter. That is a very clear sign of the way in which we want to engage, or the commission wants to engage, with stakeholders to come up with the best design for the scheme. I encourage people to read and engage with the commission's discussion paper, too.

The new clause would also introduce a statutory duty for the Government to lay the design of the scheme before Parliament in the form of a statutory instrument in order to allow full scrutiny. I entirely understand the thinking behind this, and transparency has been at the heart of our approach to developing the payments scheme. However, as I have said, I will publish and lay

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before Parliament a document setting out the scheme design in detail, which may then be debated as Parliament chooses. Again, I do not think that a statutory requirement will make my commitment to full transparency any stronger. The Government therefore resist the new clause.

Furthermore, including provision in the Bill as to the status and operation of the independent commission would pose a very serious risk to the timetable of the commission. The commission is already in operation and has been since July, and it is due to report at the end of January. Notwithstanding the speed with which the House is dealing with the Bill, it will still take several weeks for it to finish its passage through this House and the other place. If the commission had to be reformed after the Bill received Royal Assent, to restart its deliberations so as to comply with the provisions of the new clause, there would be a real risk of delay to its advice. This would, in turn, delay the making of payments to policyholders—something that I am sure none of us would want to happen. In the light of this, and given the comfort that I hope I have provided on the operation of the commission, I invite the hon. Member to withdraw his amendment.

Chris Leslie: I am grateful to the Minister for setting out the information about the preferred vehicle for the payment scheme. Although we would have preferred to see some of the issues regarding the design of the scheme independently set out and enshrined in the Bill for the avoidance of doubt, I accept his commitment in making these points on the record. Similarly, in respect of the appeals mechanism, this debate has given us the opportunity to shed a little light on to how he envisages that arrangement playing out.

I hope that the Minister's commitment to allowing further parliamentary scrutiny will not involve merely tabling a negative resolution on the Order Paper so that Members have to beg the indulgence of those on the Treasury Bench to find time to debate it. Given the amount of interest in these matters across the House, the affirmative procedure would be preferable, as that would allow us to consider them in detail. With that, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Chris Leslie: I beg to move amendment 5, page 1, line 7, at end insert—

'(2D) The Treasury shall lay before Parliament details of the timings and planned dates for payments of compensation to which this section applies, no later than three months after commencement of this Act.'.

The Second Deputy Chairman of Ways and Means (Dawn Primarolo): With this it will be convenient to discuss amendment 8, in page 1, line 7, at end insert—

'(2A) After determining the total amount of the payments that the Treasury is to authorise under subsection (2) and the persons to whom those payments are to be made, the Treasury must secure—

(a) that each of those persons is paid the full amount due to that person in a single payment, and

(b) that the single payment is made as soon as practicable.'.

Chris Leslie: The amendment is intended to draw out more information specifically about the timing of the compensation payment scheme that the Financial Secretary envisages. In particular, we wish to ensure that the Treasury will lay before Parliament details of the timing and planned dates for payments no later than three months after the commencement of the Act.

We know that this long saga has involved many raised hopes, which have often been dashed. Although there were very good reasons for the last Government's detailed consideration of complex issues, I accept in hindsight that decisions could and should have been taken more quickly and handled better. There were sound reasons why Ministers took a different approach to that of the Government today, but we are where we are, as the saying goes, and I wish to the ask the Financial Secretary a few questions about how the matter will progress from here onwards.

I am aware that table 3 in the spending review document, on page 12, sets out the phasing of the total finance set aside as being £520 million in 2011-12, £315 million in 2012-13, £210 million in 2013-14 and finally £100 million in 2014-15. As the explanatory notes to the Bill state, that comes to a total of £1.1 billion that has been set aside for this spending review period. Clearly there is a discrepancy with the £1.5 billion figure that we have been talking about, which presumably goes beyond the spending review period. I have a number of questions for the Financial Secretary, and I hope that he will expand upon the details.

First, on what basis have those figures been arrived at? Do they represent the expected phasing of payments, or are administrative costs included, for example, distorting the apparently higher first-year figure set out in the spending review document? I presume that the administration costs have to be set out somewhere in the budgetary figures. If so, will the Financial Secretary clarify his intentions? I do not want policyholders to labour under the misapprehension that they will necessarily receive the bulk of their compensation up front, as those figures might suggest.

At what stage will the timing and phasing of payments become clear? Does the Financial Secretary expect that the independent commission will set out those details early on, and will there be any opportunity to enshrine the timing of those arrangements in law, perhaps through regulations, even though they will be designed independently of Ministers? In other words, will the commission come back to Parliament and say, "This is how we are going proceed"?

There have been reports that three tranches of payments are expected over a four-year period. Can the Financial Secretary clarify whether that expectation is broadly reasonable for the policyholders involved? The Government are clearly about to hand over many of the arrangements to the independent commission and to National Savings & Investment, but it is still important that we know the broad parameters that they will use. That is the purpose of the amendment—we are seeking a public commitment and transparency about the timing of the payments.

Bob Blackman: I rise to support amendment 8. I do not want to go over all the ground that we covered in debating the previous amendments, but the purpose of the amendment is precisely what we talked about earlier.

Hon. Members intervened to say, "Let's get this done. Let's get it over with and ensure that policyholders are properly compensated as quickly as possible."

It is clear that trapped annuitants will receive their compensation in staged payments over the life of their pensions. However, we get into complex territory again when discussing the other policyholders and the difference between with-profits and other annuities. As I understand it—I hope that the Financial Secretary will clarify this—tranches will be paid out over the life of the comprehensive spending review period. The third tranche will be paid only in 2013, which still leaves some £500 million to be paid out in the next comprehensive spending review period. As we understand it, this will be a long-drawn out affair, so perhaps we can have further clarification on the issue.

3.45 pm

We have set aside £1.5 billion to compensate the victims of this scandal and we have set up an independent commission to design the scheme and decide how that money should be dispensed. The purpose of the amendment is to say that we should now get on with it and compensate those people while they are still alive. We should not hang on to the money and drag these payments out over an extended period.

We want to put in place a rapid approach. Once again, I congratulate the Treasury team on its rapid approach to resolving the scandal. None the less, if we are to have long and extended periods of payment, many policyholders who have been affected by this scandal will sadly have died before they can receive their money. Therefore, I trust that we can implement this clause and ensure that we demonstrate to all the policyholders who have been so badly affected by the scandal that they will receive their due compensation very quickly.

Mr Hoban: Let me deal with amendments 5 and 8. We have stated that our ambition is to commence payments in the middle of next year. As the Committee is aware, we have made great progress on this issue. Within six months of coming to office, we have published Sir John's report and the supporting material; we have provided the first bottom-up estimate of losses suffered by policyholders; we have set aside £1.5 billion for the payment schemes; we have announced that we will cover the full losses of eligible with-profits annuitants; and we have established the Independent Commission on Equitable Life Payments to advise us on the fair allocation of payments among policyholders. Such progress shows how seriously we take this matter and how quickly we want to find a resolution. Our ambition is to commence payments in the middle of next year, and our track record of getting things done quickly on Equitable Life shows that we are capable of doing so.

Let me set out the process that we are following to ensure that payments are made as quickly as possible. In line with our commitment to independence, we have set up the independent commission to advise us on how we can fairly allocate the funds among policyholders, with the exception of the with-profits annuitants and their estates, and on any priority groups or classes of person who should be paid earlier.

Such an approach will help to inform the sequencing of payments. To ensure that the payments can begin as soon as practicable, we have set a challenging timetable for the commission and it will report at the end of January 2011. Between the end of January and the dates that payments commence, we will be laying the advice of the independent commission over the operational technicalities of the scheme to ensure that the end-to-end process operates well. We will then publish a scheme design document that sets out the end-to-end process of the scheme in the spring. We will also finalise the arrangements with the delivery agent. That will help to ensure that when the scheme goes live, we can get payments to policyholders efficiently.

I hope that I have reassured hon. Members that this Government are committed to making payments to policyholders as soon as it is practicable and that we are taking all possible steps to achieve that. As a result, amendment 5 is unnecessary. I have addressed the points raised by the hon. Member for Nottingham East (Chris Leslie) about the sequencing of payments. We are seeking advice from the new payments commission on how that sequencing will take place and how it will fit within the envelope of public spending that is set out in the comprehensive spending review.

Let me turn to amendment 8, standing in the name of the right hon. Member for Holborn and St Pancras (Frank Dobson), to which my hon. Friend the Member for Harrow East (Bob Blackman) spoke. The amendment deals with the issue of how payments should be made. I recognise the fact that policyholders have waited far too long for a resolution to the matter. That is why at the spending review we set out how we envisage the scheme working. I want to set out that vision again. Those policyholders who do not have a with-profits annuitants policy will receive their payments in one lump sum to give them the closure that they need quickly. As it happens, amendment 8, tabled by the right hon. Gentleman and my hon. Friend, would mean that with-profits annuitants would not receive their payments in the way that we envisage. One of the reasons why we have been able to increase the amount available to policyholders is so that we can spread the amounts going to with-profits annuitants over the remainder of their lives. If my hon. Friend's amendment were accepted, it would stop that process and mean that their payments would come out of the £1 billion set aside at the time of the CSR. I therefore suggest that the amendment would not help policyholders to receive quite as much money as we believe they should.

Owing to logistical constraints associated with such a large and complex scheme and to affordability constraints, we cannot make all lump sum payments immediately. They will be paid out over the first three years of the spending review period. That is why I have asked the commission on payments to advise me on whether there are any classes of policyholders whose payments should be prioritised, to ensure that those in most urgent need of redress are paid first.

Chris Leslie: This may be a naive question, but box 2.7 in the spending review says:

"The Government expects the total amount of funding for the scheme to be in the region of £1.5 billion."

That is the envelope that we have been debating, and that figure matters quite a lot, especially for those other policyholders. However, the same box says that

"£1 billion will be allocated to the Payments Scheme in this Spending Review period, which will cover…the initial costs of the first three years of WPA"

[Chris Leslie]

with-profits annuitants—

"regular payments, and all payments to other policyholders."

Can the Minister explain the difference between the £1 billion and the £1.5 billion, and say how the timings will be affected? Presumably the other £500 million will arrive after the spending review period, but I am a bit confused on that point.

Mr Hoban: The hon. Gentleman makes an important point, which gives me the opportunity to clarify the make-up of the £1.5 billion. The figure includes the full cost of the losses to with-profits annuitants—approximately £620 million—which will be made through regular payments. However, taking into account the pressures on the public purse, the Treasury could allocate only £1 billion over the first three years of the spending review. That will cover two things: the first three years of payments to with-profits annuitants, and lump-sum payments to all other policyholders and to the estates of deceased with-profits annuitants.

It is important to start to pay off with-profits annuitants' losses quickly, alongside the lump-sum payments to other policyholders. About £225 million of the £1 billion is for with-profits annuitants and their estates, leaving approximately £775 million for lump-sum payments to non-with-profits annuitants. The Towers Watson estimate of £620 million for with-profits annuity losses leaves approximately £395 million for the rest of the WPA losses from 2014-15 onwards. Those who are quicker at mental arithmetic than me will have worked out that the total comes to about £1.4 billion. The balance is a contingency, because the payments to with-profits annuitants are based on their longevity. We hope that they live long and healthy lives, and that buffer is set aside to cover this need. That is how the maths works out.

Mr John Redwood (Wokingham) (Con): Could my hon. Friend provide further clarification on the tax status of those receiving such payments?

Mr Hoban: My right hon. Friend pre-empts a point that I was going to refer to in the clause stand part debate. He gives me an opportunity to say now that the payments will be free of tax.

The Second Deputy Chairman: Order. There has been a very expansive debate so far, so there will not be a clause stand part debate. If the Minister wants to say anything, I would encourage him to say it now.

Mr Hoban: You are right, Ms Primarolo, we have had an extensive debate, so I will ensure that I now have my notes to hand for the clause stand part debate. I should clarify the treatment of the payments under the tax and benefits system. They will not be treated as income for tax purposes, and will not be taken into account in the calculation of tax credits, which is a benefit for policyholders. In terms of benefits, they will be treated as capital rather than income, and given the beneficial nature of the treatment of capital in the benefits system, that helps policyholders. We have sought in the design of the scheme, through measures such as the tax and benefits treatment, to maximise the value so that policyholders will receive the full amount.

Nadhim Zahawi: I will test the Financial Secretary's arithmetic a little further. Has he worked out what that advantage is over and above the £1.5 billion?

Mr Hoban: My hon. Friend makes an interesting point. It is difficult to calculate that because, as he will recognise, the tax status of Equitable Life policyholders varies. Some pay no tax, some pay tax at the 20p rate, some pay tax at the 40p rate, and some may even pay tax at the 50p rate. The value will depend on their tax status, and we do not have sufficient access to taxpayers' records to be able to match Equitable Life policyholders with their tax records, so we cannot calculate the benefit. However, he will appreciate that it could provide a significant benefit to some policyholders, and I hope that they will recognise that when they receive their payments. We have sought to be as generous as possible in the tax and benefits treatment for that purpose.

Mr Redwood: I thank the Minister for an important improvement to the scheme, which I am sure is welcomed.

Mr Hoban: I thank my right hon. Friend. When designing the scheme, we considered seriously how to ensure that policyholders would benefit as much as possible from the payments. If we had been less generous, we would have been accused of clawing back money through the back door, and that is an impression that we want to dispel.

Sir Alan Beith: I welcome that announcement, but there is a group of people who are affected in multiple ways: those who have funds in Equitable Life that are not yet in payment and who have been given transfer values substantially below what they believe the fund to be worth, even now. If they are waiting up to three years, and take the money out, accepting the transfer penalty, will they invalidate their entitlement under the scheme?

Mr Hoban: That is an important point. I am sure that a range of issues will emerge as we move through the scheme's design to payment. People who have had Equitable Life policies throughout the period and bought them post-September 1992 will receive compensation even if they have exited from Equitable Life's current arrangements. I hope that that provides clarification.

Jonathan Evans: Will my hon. Friend take the opportunity, perhaps later, to issue a fuller statement on his very important announcement in response to my right hon. Friend the Member for Wokingham (Mr Redwood)? I intended to raise the matter on Third Reading. There is no doubt that many policyholders will be delighted to hear the news, and it should be made more widely available to all policyholders so that they are aware of it.

Mr Hoban: My hon. Friend is right. The old saying is that the best way of keeping a secret is to make a speech in the House of Commons. I am sure that those of my hon. Friends who are in contact with Equitable Life policyholders will take the opportunity to write to them, and I hope that the Equitable Members Action Group, which is the main lobbying organisation on behalf of policyholders, will also take the opportunity to pass the information on to its members. It is important information for them, and we will continue to make policyholders aware of it as we communicate further details of the scheme.

Before that series of interventions, I was reflecting on amendment 8, and I want to say a little about why we are treating the with-profits annuitants differently from others in regard to payments. We need to recognise that the nature of the policies of that particular group of people is very different from that of other Equitable Life policyholders. Their losses relate not just to what has happened in the past, but to what will happen in the future. They will continue to receive a stream of income over a number of years from their with-profits annuity policy. We are now able to match that stream of income with their historic losses and their future losses. It makes sense for them to receive their payments in a way that reflects the income stream that they have lost, which is why they will receive their losses in regular payments over their lifetime.

In the light of that, I hope that the right hon. Member for Holborn and St Pancras will decide not to press amendment 8 to a vote, because the approach that he suggests is not appropriate for with-profits annuitants. We are determined to make swift progress on making payments to other policyholders, however, and they will get lump sum payments that will be free of tax.

4 pm

Chris Leslie: The Minister has put on record some helpful information about the timing of the payment arrangements, and I do not think that it would add a great deal if we were to press the amendment to the vote. I therefore beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 7, page 1, line 7, at end insert—

"In determining the amount of the payments that it is appropriate for the Treasury to authorise under subsection (2), the Treasury must have regard to such matters relating to the adverse effects of that maladministration on those persons and the proper calculation of their resulting losses as have been determined by the Parliamentary Commissioner for Administration to be relevant to and appropriate for that calculation.".—*(Frank Dobson.)*

Question put, That the amendment be made.

Question negatived.

Amendment made: 6, page 1, line 20, at end insert—

"( ) The functions of the Director of Savings include anything the Director is appointed by the Treasury to do in connection with payments to which this section applies.".—*(Mr Hoban.)*

Question put forthwith (Standing Order No. 68), That the clause, as amended, stand part of the Bill.

Question agreed to.

Clause 1, as amended, accordingly ordered to stand part of the Bill.

Clause 2 ordered to stand part of the Bill.

The Deputy Speaker resumed the Chair.

Bill, as amended, reported.

Bill, as amended in the Committee, considered.

Third Reading

4.3 pm

Mr Hoban: I beg to move, That the Bill be now read the Third time.

The Government want to see justice for Equitable Life's policyholders, and this is clearly reflected in the actions that we have taken since coming to office. In six short months, the coalition Government have made real progress towards implementing their pledge to make

"fair and transparent payments to Equitable Life policyholders...for their relative loss as a result of regulatory failure."—[*Official Report*, 26 May 2010; Vol. 554, c. 1WS.]

Since coming to power, we have published the first ever estimates of losses suffered by policyholders, considered representations on them, and endorsed a relative loss figure of £4.3 billion—in line with the parliamentary ombudsman's findings. We have set aside £1.5 billion to make payments, which is more than four times the amount that Sir John Chadwick's methodology produced. This strikes the right balance between fairness to policyholders and fairness to the taxpayer.

We have announced that we will cover the full losses of those policyholders who have or have had with-profits annuities. We have established an independent commission to assess how best to allocate payments to policyholders. While giving the commission wide discretion, we have made it clear that we do not expect payments to policyholders to be means-tested and that we expect payments to be made to the estates of deceased policyholders. Our goal is to make the first payments to policyholders towards the middle of next year. This is a huge achievement, of which we can be rightly proud.

The Bill is a vital part of this work. It gives the Treasury the authority to incur expenditure to make payments to policyholders. Without this Bill, redress for those who have suffered so long would be impossible. That is why we have moved so quickly. To delay further action would be unfair to those who have already waited over a decade for a resolution. The sooner the legislation is in place, the sooner we can bring their suffering to an end. I know that right hon. and hon. Members of all parties fully support us on that.

We announced as part of the spending review that it was our intention to make these payments tax free. Today's Bill gives the Treasury the power to make an order allowing these payments to be disregarded for tax. The payments will also be disregarded for the purposes of tax credits.

Finally, the Bill enables the Government to consider what effect, if any, these payments will have on people's eligibility for certain means-tested, state-funded support. I outlined in the debate on the final group of amendments how this treatment will apply to welfare benefits. We are still considering how the payments will affect support such as social care.

We have concluded that lump-sum payments made as part of this scheme will be disregarded as income for the purposes of assessing eligibility for means-tested benefits. Instead, they will be classed as capital. Capital limits do not immediately cut off eligibility for benefits; they work on a sliding scale, gradually reducing support for individuals with larger assets. It is unlikely that many recipients who would otherwise have been eligible for means-tested benefits will receive payments that dramatically affect this eligibility. For with-profits annuitants, regular payments will be treated as income in a similar way to the lost income stream that these payments represent.

Earlier today, hon. Members debated in detail a Government amendment that gives National Savings & Investments the power to deliver payments. That being a large and potentially complex task, it is essential that

[Mr Hoban]

the delivery partner has the experience and expertise to do the job properly and cost-effectively. When judged against these criteria and the imperative for payments to begin as soon as possible, National Savings & Investments was the strongest candidate, which was the motivation for including this amendment in the Bill.

I am aware of the concerns that hon. Members have voiced about the Bill's brevity. It is, indeed, a two-clause Bill and it does not include detail about the payments scheme that would allow Parliament to scrutinise and debate the issue. I would like to point out that there is no requirement for the Bill to do so; it is simply an enabling Bill to give the Treasury the power to make these payments to policyholders—and nothing more. The scheme design does not require statutory footing and, of course, before the scheme design is finalised, we first need to make progress on this Bill. If we had waited for the scheme design to be finalised before proceeding with the Bill, it would have taken far longer before we could start to make payments. What the Treasury has sought to do is to work on as many streams as possible in parallel, within the constraints of our legal powers.

Let me reassure all hon. Members that I am fully committed to transparency at every stage of this process. I understand and sympathise with Members' concerns, and for this reason I will publish a document setting out the scheme design in detail and lay it before Parliament for full scrutiny. Following the independent commission's publication of its final advice, I will make a statement setting out the Government's response.

I also know that Members are keen to discover whether a robust appeals process will be in place, one that will allow policyholders who believe their payment has been wrongly calculated to challenge this judgment. I am therefore pleased to confirm that we will be appointing a review panel, independent of NS&I, with full powers to consider any such challenges and to overturn any decision that it finds incorrect. As I said to the hon. Member for Nottingham East (Chris Leslie) in an earlier debate, the costs of that appeal mechanism will not be borne by the compensation pot. We want to ensure that policyholders get the full value of the money that we set aside for compensation payments.

In the interests of transparency, I should like to set out the next steps in the process of resolving this long and complex issue. As a starting point, I hope that today's Bill will receive Royal Assent by the end of the year. That will allow the delivery partner to start preparations early in the new year, and to be well placed to make the first payments by the middle of the year, as is our ambition. It is important for the delivery partner to start work early, in order to accelerate the timetable to make those payments. The independent commission is due to report to me in late January and, following that, we will incorporate its recommendations in the design of the scheme, which will then be scrutinised by Parliament.

As I said earlier, I would encourage hon. Members on both sides of the House, whether they are new to the issue or have run with it for many years, as so many of us have, to engage with the commission in its work. It is independent of the Treasury, and the three commissioners are very experienced. I believe that they have the expertise and skills to design a proper payments scheme for policyholders. However, they would welcome contributions from everybody who has participated in the debate, not just in the House but across the country over the past decade, to enable them to produce the best possible scheme design, which meets as far as possible the aspirations of people who have had policies with Equitable Life.

Since the Government took office in May, we have come a long way. We have achieved far more in recent months than was achieved in recent years. We have quantified relative loss suffered because of maladministration. We have identified the losses that policyholders have suffered on a bottom-up basis, by groups of policies and by age. For the first time, a proper understanding has been established of the losses suffered. That is a tribute to the hard work conducted by Towers Watson and others to develop that estimate. As a consequence of the spending review, we have been able to assess the quantum of losses, to decide the loss figure that we accept. We have accepted the ombudsman's view that relative loss is the best guide. We set aside £1.5 billion of funding to cover the cost of the payments scheme. We have announced that the losses of post 1992 with-profits annuitants will be covered entirely by the Government. We have also established an independent commission to advise on the allocation of funding to not-with-profits annuitants policyholders.

As a Government, we want to see a swift resolution to this matter. We want the many policyholders who have waited in financial purgatory for so many years, and who have campaigned so hard for justice, to receive the payments that are rightfully theirs. No one could disagree that policyholders have waited too long for justice. Although the debate has been relatively brief, it is not just the tip of the iceberg—to which the hon. Member for Nottingham East referred—as anyone who has participated in the debate will recognise. Passing this important Bill is essential to achieving justice, and I commend it to the House.

4.14 pm

Chris Leslie: The short debate that we have had has covered a set of specific issues, largely arising from the Government's conclusions in the spending review about how to compensate those suffering injustice following maladministration by insurance and financial regulators in the case of Equitable Life. I am glad that we have had the opportunity to talk about the independence of the payment scheme. We have been able to hold the Government's feet to the fire on whether it will match the ombudsman's model. I am glad that the Minister said that he would welcome further comments from her on the design of the compensation scheme. It will be interesting to see whether she endorses it as being the fair and transparent scheme that many Members have pledged to deliver.

We have also discussed the appeals procedure and the timing of payments. In response to the second ombudsman's report, the former Chief Secretary to the Treasury, my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper), offered an apology for the past failings of the regulators. That is an important point, which is separate from the question of whether the regulators can be held fully or only partly responsible for the losses incurred by the maverick actions of Equitable Life's management during the 1980s and early 1990s.

I am sorry that, at least during this debate, Ministers have not also expressed regret, clearly and on the record, for the part that their party played during the 1980s in failing adequately to establish a regulatory system to prevent the vast bulk of the Equitable Life problems from arising in the first place. I know that it was a long time ago and that none of the current Ministers were in any way responsible, but I think it would have been a helpful gesture to draw a line under the failings that had occurred in the past. After all, Lord Penrose concluded in his inquiry report that Ministers in the late 1980s

"did not regard the subject"

of updating life insurance regulation

"as a high priority for legislation."

He noted that

"the Government's objective was to deregulate, to reduce regulatory burdens on business, to avoid interference in private companies, and to let market forces prevail."

Mr Hoban: I appreciate that the hon. Gentleman is new to this topic, but we have already clearly expressed our apologies. Unlike the last Government, we immediately accepted all the ombudsman's findings of failure. The hon. Gentleman's party did not even have the courage to do that.

Chris Leslie: I am glad that the Minister has been able to reiterate points that he did not make in his Third Reading speech. I do not necessarily want to reopen the box entirely, but it is important for both parties to recognise that mistakes have been made, and that things should and could have been done better by those on both sides. In particular, however, I think it is important not to gain the impression that failings did not occur on the watch of the Minister's party. Lord Penrose found that Conservative Ministers

"argued against reform in the... 1990s",

and that the United Kingdom "led the resistance" to Europe-wide attempts to update the third life directive. Those who argue that Labour alone fell short in respect of reacting to the Equitable Life debacle should realise that the ideological approach pursued by the Conservatives was absolutely central to causing the mess in the first place.

As Members know, the last Government would have chosen a different route to compensation. We were anxious that a poorly designed compensation scheme might entail a person-by-person review aimed at disentangling individual losses one by one, examining more than 30 million investment decisions by 1.5 million people over 20 years. That would have been a mammoth administrative task. Moreover, the ombudsman had implied that individuals would need to prove that they had relied on the regulatory returns and had been misled as a result. The last Government did not believe that such an approach could be feasible.

It was for those reasons that Sir John Chadwick was asked to explore a more realistic and reliable payment scheme methodology. He concluded that the Treasury should deal with the issue by grouping cases into about 20 broad categories of policyholders who were in similar circumstances. The payment scheme would then deduce the relative loss in each category in comparison with the outcomes of a basket of other policies that had not suffered from the same regulatory failings. The Government have clearly embarked on a different course, although they have taken up some of Chadwick's pragmatic suggestions about the automaticity of compensation. We genuinely hope that that will work.

We are pleased that this short paving Bill is before the House, because we feel strongly that the matter should be resolved. The Committee stage gave us an opportunity to question the Government on several aspects of their approach, and I am glad that we have had an opportunity to draw them out further today.

Let me end by simply raising a question mark over the words of Ministers before May, when the general election took place, in comparison with their actions today. Many hundreds of thousands of Equitable Life policyholders—possibly as many as 1 million—were led to believe that in signing the EMAG pledge, Ministers were supporting a particular outcome that may not now arrive. Most Conservative Members signed that pledge. They pledged to their constituents that

"if I am elected to Parliament at the next general election, I will support and vote for proper compensation for victims of the Equitable Life scandal and I will support and vote to set up a swift, simple, transparent and fair payment scheme—independent of government—as recommended by the Parliamentary Ombudsman."

As the payment decisions are made in the next few years and the cheques finally start to arrive, EMAG members and policyholders who are not in line to receive 100% compensation for their full relative losses will have to draw their own conclusions as to whether the Government have fulfilled their promises. So far the signs are that many policyholders do not feel that those Members who signed the pledge are keeping their word. They feel that the scheme will fall short of proper compensation and a fair payment scheme.

Jonathan Evans: Will the hon. Gentleman give way?

Charlie Elphicke (Dover) (Con) *rose*—

Mrs Main *rose*—

Chris Leslie: I will give way first to the hon. Member for Cardiff North (Jonathan Evans) as he has attended the entire debate.

Jonathan Evans: The hon. Gentleman seems to be suggesting that £1.5 billion does not amount to proper compensation. I came to watch the earlier debate when the Minister was the right hon. Member for East Ham (Stephen Timms), and he was standing by the Chadwick figure, but the hon. Member for Nottingham East (Chris Leslie) now seems to be saying that four times more than the position the Labour party were defending back then is not proper compensation.

Chris Leslie: The difference between the hon. Gentleman and me is that I did not sign the EMAG pledge. I always felt, as did many of my colleagues, that there were real and practical difficulties in raising constituents' hopes in the way that the hon. Gentleman perhaps did. That is a matter for him and his constituents. It is up to him to convince them that the result of these deliberations has been to put in place full and fair compensation in accordance with the pledge. I am simply making the point that this is a matter of honour for those hon. Members who signed the pledge.

Mrs Main: Will the hon. Gentleman give way?

Chris Leslie: I think the hon. Lady was one such Member.

Mrs Main: I rise to gently chide the hon. Gentleman. We have had discussions with EMAG representatives, and I do not think they were under any illusions that they were necessarily going to get back every single penny that was lost. I have talked to my local representatives, and I think they are realistic enough to realise that we have done the best we possibly can. I am not happy with the situation for the pre-1992 annuities, but even so, what we are giving them is 100 times better than previously. They look to us to deliver that, but they are realistic enough to know that, in these hard times we cannot give them everything. I think for the hon. Gentleman to say, "I didn't sign the pledge" is just copping out.

Chris Leslie: I disagree about the pledge, and I did not sign it for particular reasons, but my point is simply that the hon. Lady signed the pledge before the general election and it committed her to a number of things, one of which was somehow to fulfil the aspirations of those policyholders who interpreted the pledge in a particular way. I, too, have met EMAG representatives and they are not as happy and understanding as the hon. Lady suggests.

Mrs Main: Will the hon. Gentleman give way?

Chris Leslie: Well, if the hon. Lady understands something different, I will give way to her again.

Mrs Main: Did those EMAG representatives give the hon. Gentleman some reason to suspect that they were happier with his stance of delivering a much lesser amount?

Chris Leslie: The difference is that I did not raise people's hopes for electoral purposes—because I wanted to harvest their support—only to dash them after the general election. We are very used to Conservative Members making pledges on a whole series of things—not least student finance, which is quite pertinent right now—and then breaking their promises. I am not saying that Members are necessarily in breach of their pledge. All I am saying is that it is for them to honour it, in accordance with their consciences and what their constituents will say to them as to whether the compensation outcome amounts to a fair payment scheme and proper compensation.

Several hon. Members *rose*—

Chris Leslie: Having clearly touched a nerve, it will be interesting to hear from other Members as well.

Margot James (Stourbridge) (Con): There is a key point for the victims of this scandal in my constituency of Stourbridge. Most of those whom I have met understand that the commitments that were given always had the proviso of the state of the public finances. That is a very relevant point.

I wish so much that we could have offered people more, but given the difference between Chadwick's recommendations, which were the baseline, and the £1.5 billion, as well as the state of the public finances, many people who have suffered in this scandal will feel that they have been treated reasonably, although I accept the hon. Gentleman's assessment that the EMAG pressure group is still battling for more. That is its role as a pressure group.

Chris Leslie: A reasonable point from the hon. Lady. All I am saying is that the pledge that some Members signed did not say explicitly, "As resources allow." *[Interruption.]* No, it does not say that in the pledge. The pledge simply says that they will have a fair and transparent payments scheme. I doubt very much that the vast majority of those other policyholders who will not be getting the 100%—clearly it will be welcomed by those with-profits annuitants, who are receiving 100% of their relative losses—but may be receiving, I am told, between 15 and 20% of their relative losses will feel that hon. Members who raised their hopes are actually fulfilling them.

Jonathan Evans: I appreciate that the hon. Gentleman is new to his role, but I would have hoped that he had read the ombudsman's report before representing the Opposition at the Dispatch Box. He would have seen that the ombudsman says that the compensation figure must take account of the effect on the public purse.

Chris Leslie: I completely accept that that is what it says in the detail of the ombudsman's report, but it does not say that in the pledge that the hon. Gentleman signed. In an electoral context, he raised the hopes of many of his constituents. He may be able to face them and say, "Absolutely, I am fulfilling what I promised." If he feels that and they are happy with it, they will re-elect him, and everybody will be happy and ride off into the sunset, but I have a feeling that some policyholders will continue to be discontented with the Government's position. It certainly did not say, either in the manifestos or in the pledge that he signed, perhaps scribbled in a little addendum, "Oh, by the way, we are going to give you only a fraction of the £4.5 billion to £6 billion that you understand as the relative losses." That is simply not there. I am not claiming, because I did not sign that pledge, to have raised those hopes, but Members on the Government Benches did.

Sir Alan Beith: Is it the hon. Gentleman's position that he did not promise anything, he was not going to give anything, Chadwick was the maximum and he might as well vote against the Bill?

Chris Leslie: Liberal Democrats need to learn that people should not make promises they cannot keep. There is a suggestion that Liberal Democrats in particular have been growing used to making promises that they cannot keep, so the right hon. Gentleman should pause for a moment because his political arguments are haemorrhaging on a number of fronts. That is because some Members raised a series of aspirations before the election, making suggestions and promises, and there are some who will feel that he is now falling short of that. That is the only point that I seek to make. I am not claiming perfection for my behaviour, nor am I claiming in any way that I could fulfil all the hopes of the policyholders, but my point is that Members on the Government Benches did, and they should be hoist on their own petard for signing that EMAG pledge.

Charlie Elphicke *rose—*

Chris Leslie: I give way to my good friend from Dover.

Charlie Elphicke: I thank the hon. Gentleman for giving way. I know him to be a generous Member of the House. With his customary generosity, will he acknowledge that the amount is nevertheless three times that which the previous Government said they would have given as compensation?

Chris Leslie: We will not know that, because Chadwick's report was published after the general election. We had a series of steps that would have then been taken, but history went in a different direction because the spending review and the Budget were undertaken by a different party, not by our party in government. I am not saying that there are magic solutions to this issue. These are complex matters and there are technical reasons for both the methodologies that are being used in the compensation and the timings and the discussions around them. It is important to bear in mind the wider needs of the public purse. We have consistently said that and now the Government have come round to that point of view. I understand why they did.

Mr Hoban: The previous Government took six months to dither over what they would do about the ombudsman's report, whereas we accepted her recommendations straight away—there had been maladministration, there should be compensation for relative loss, and affordability was a key part of her recommendations. We accepted that quickly, whereas his right hon. and hon. Friends sat on their hands.

Chris Leslie: I disagree with that. The hon. Gentleman certainly did not say before the general election that this would be £1.5 billion—*[Interruption.]* Oh, did he? Where did he say before the general election that this would be £1.5 billion? I shall give way to him if he can give a reference for that. Answer came there none—proof in point that after the general election a different set of expectations was set out by the Government than those that might have been an interpretation of the Minister's words before the election.

Mrs Main: Will the hon. Gentleman give way?

Conor Burns (Bournemouth West) (Con): Will the hon. Gentleman give way?

Chris Leslie: I have given way to the hon. Member for St Albans (Mrs Main) several times, so I shall give way to the hon. Member for Bournemouth West (Conor Burns).

Conor Burns: Will the shadow Minister at least concede that one of the biggest groups of victims—some were in my constituency—were those who died while waiting for his Government to make any progress? This Government should at least be congratulated on getting on and doing something, because in this context something is definitely better than the nothing that was offered by the Opposition.

Chris Leslie: I am not going to claim that everything in the garden was rosy in the period that elapsed between the findings of the various commissions. Suffice it to say that Penrose spent some two and half years on his inquiry and the ombudsman spent nearly four years on hers. This was not simply a Government issue. There were very complex issues in which a set of decisions had to be resolved. There are perfectly good and sound reasons for some of the time that it took to come to conclusions on these questions. Things could certainly have been handled better; I have already said that this evening.

Mr Marcus Jones: Will the hon. Gentleman explain the inactivity on the matter while his party was in government, particularly during the demise of the Icelandic banking industry, when his Government bailed out many investors who were affected by that at the drop of a hat?

Madam Deputy Speaker (Dawn Primarolo): Order. Before the hon. Member for Nottingham East (Chris Leslie) answers, may I remind the House that this is Third Reading and that it is timed, which means that it will conclude at three minutes past 5? Members who have sat through the debate this afternoon and who wish to speak on Third Reading might not get the opportunity to do so. I shall call Mr Leslie back to the Dispatch Box to respond to the intervention, but perhaps everybody in the Chamber could bear my point in mind.

Chris Leslie: Indeed, Madam Deputy Speaker. It is certainly incumbent on us all to be brief as far as we can. I have set out the position as I see it. I know that Government Members will disagree, but I do not wish to impugn their intentions. I was simply seeking to point out that they are held to a pledge that not all Members are held to and that they will be judged on that.

We are not minded to oppose the legislation this evening. This is a necessary paving Bill, but we accept that the devil will be in the detail and we await the further scrutiny of the measures that will come subsequently.

4.33 pm

Nadhim Zahawi: The mere fact that it is 10 November 2010 and I am standing here delivering a speech on Third Reading is something of which I am incredibly proud. This is a sobering Bill, which is long overdue. I thought in Committee that I heard the shadow Minister apologise, but, sadly, I know from listening to his remarks that he obviously has no remorse. Behind him are the hon. Members for Foyle (Mark Durkan) and for Leeds North East (Mr Hamilton), who have been passionate advocates for the victims of Equitable Life and incredible champions for their cause, and they have had to listen to their Front-Bench spokesman speak with forked tongue. He says, on the one hand, that Labour wants to champion the victims of Equitable Life, many of whom sadly have not survived to see this day, but on the other that it did not promise anything. Labour let the victims down in the previous Parliament and tried to get away with delivering what Chadwick recommended.

The Front-Bench spokesman for the coalition Government is to be commended, because we are debating a figure that is four times the amount that Chadwick recommended. I remind the House of the economic landscape that we have inherited. We are borrowing £500 million a day; every time we go to bed and wake up

[Nadhim Zahawi]

in the morning, we have been saddled with another £500 million of debt by the previous Government. Just paying the interest on that debt costs £120 million a day—just to stand still. Against that background, and within six months of this Parliament, we have been able to deliver the Third Reading of this Bill for victims of the Equitable Life tragedy.

I want to highlight some of the points that my hon. Friend the Member for Harrow East (Bob Blackman), chairman of the all-party group on justice for Equitable Life policyholders, has made. He has made some forceful points, as have my hon. Friends the Members for Nuneaton (Mr Jones) and for Cardiff North (Jonathan Evans). It is important to remember what we heard from the Minister about the additional money that will come as a result of the tax treatment of the payments. He would be right to say that he had already shared this information with us but that it was hidden in the detail. That important point needs further airing.

I repeat a recommendation that I made in Committee, although I know it would be complex: it would be incredibly helpful for us all if the additional benefit for different tax bands provided by that tax treatment could be calculated. As my hon. Friend the Member for Harrow East rightly reminded us, many hon. Members signed the pledge on Equitable Life before the election. I am proud that I signed it and many of my colleagues and I believe that we have absolutely delivered on it. There is a lot of detail to get through and we will all work very hard to ensure that we deliver for the victims of Equitable Life. I hope that the shadow Minister will reflect on his remarks and feel that he could take some of them back. I hope also that he will be much more considered next time he speaks on this topic.

4.38 pm

Mr Fabian Hamilton: Given the shortage of time I shall be brief. The hon. Member for Stratford-on-Avon (Nadhim Zahawi) reminds us of the daily interest payments on the current national debt and I could respond that if we delayed payments by two days, we might have enough, by his calculations, to pay the pre-1992 annuitants, but I shall not be frivolous.

In Committee, I might have been a little churlish in my introductory remarks on my amendment, because I really do want to congratulate the Government on what they have done. They have not gone far enough, but they have made progress and I do not want to appear reluctant in congratulating them. Many hon. Members thought I was being reluctant, but my remarks were slightly tongue in cheek. It is good that the Government have introduced a scheme quickly, that payments will be made from next year and that the quantum is now roughly £1.5 billion instead of £0.5 billion—about three times more than Chadwick suggested. That is progress, and many Equitable policyholders will be very pleased.

I hope the Minister will accept that there is still some injustice, not least for those pre-1992 annuitants, for whom 76 right hon. and hon. Members voted for my amendment. As the Minister knows, I do not accept his argument on that. I hope he will understand that injustice still exists, that we will have to deal with it in some way or another if we can, and that EMAG will continue to fight its corner, as it must, until it sees justice for all policyholders and annuitants who took out policies with the discredited Equitable Life.

I and my co-chair, the hon. Member for Harrow East (Bob Blackman), together with the secretary of the all-party group, have written to Ann Abraham, the ombudsman, asking her a number of questions. We hope that in due course we will receive a response, which we would want to share with the House or at least with the rest of the all-party group. On that subject, I hope the Minister will be able to accept my previous invitation to attend one of our meetings at a time convenient to him, so that we can discuss the details of the scheme, understand more clearly how it will work and perhaps add some thoughts of our own on how to make it work more effectively.

Finally, I hope that in passing the Bill today and making it become law, and in paving the way for the compensation scheme, we as parliamentarians all appreciate the lessons that have been learned from the poor or non-existent regulation of companies such as Equitable Life so that future annuitants and policyholders never have to suffer in this way again.

4.41 pm

Bob Blackman: I am privileged to follow my co-chair of the all-party group that is seeking justice for the policyholders who were so wrongfully treated by the previous Government. We can see where interest in supporting the policyholders lies. It is on the coalition Government Benches. Sadly, with the exception of those hon. Members who are present, there is a total lack of interest among Opposition Members in listening to or participating in the debate. That is typical of what has gone on for the past 10 years. It is not fair to compare a potential failure to regulate with the fact of conniving with the regulator and the company to prevent people from receiving compensation. That is precisely what the previous Government did.

I congratulate the Treasury team on taking swift, firm and transparent action to ensure that we can pay swiftly those who have been wronged. That is not being done as quickly as I would like, but we have to go through the mechanisms of government and legislation. We must make sure that the people who have been so badly wronged are compensated properly, and that that process is fair and is seen to be independent of Government.

The debate that we had this afternoon in Committee clarified a number of issues. I trust that the people who are watching from home, thinking about how much money they will receive and when they will receive it, will be more satisfied that the Government and the Treasury team have taken on board the lobbying and the actions undertaken by Members, primarily on the Government Benches, to make sure that the scheme is put in place as swiftly as possible and pays the maximum possible.

We should remember that the Bill will enable the Treasury to pay the money out as swiftly as possible. It does not deal with the sums that are due to be paid out, although the Government accept completely the ombudsman's view that the compensation would be £4.6 billion if the public purse had permitted that. That is massively different from what Chadwick recommended.

Nadhim Zahawi: Does my hon. Friend agree that if the previous Government had acted, and acted sooner, more compensation would have been payable to the victims?

Bob Blackman: If the Labour Government had acted when they should have done, £1.5 billion would have represented 100% compensation for everyone that had been so badly wronged. However, the dragging of feet over the past 10 years means that we are in the parlous state in which, ever day, people who should be due their compensation are dying and every day that we delay means that, sadly, more people will not receive their compensation.

James Morris: Many Members have talked about the moral imperative behind sorting out the situation, but does my hon. Friend agree that moral intervention requires practical Government action, which is what we are seeing today?

Bob Blackman: Indeed. That is the clear duty of the coalition Government, and that is why I wholeheartedly praise the Treasury team for demonstrating such action.

There has been no greater issue than the tax treatment of the compensation that is due, and I congratulate once again the Treasury on that measure, because it will add to the compensation. Many people sitting at home will have been calculating their compensation less the amount of tax that they regularly pay. Now they know that they will receive a far bigger tax-free income, and that is something else of which we can be proud.

I would have much preferred more money to be provided. Would not we all? But would not we all rather be in a position whereby the Treasury was not almost bankrupt and we had not been left with a massive deficit? The all-party group will continue to ensure that, in this process, the Treasury will be able to communicate with all parliamentarians, and EMAG will be able to lobby to ensure that, when individuals begin to receive their payments, which will be the acid test, they feel satisfied that the wrong that has been done to them has been compensated. That is something of which we would all be proud. We can take great pride in the fact that the process is happening quickly, with purpose and transparency, and that the pledge that we all signed is being honoured. Some people may say, "It is not being honoured in full," but it is, and clearly the economic circumstances of the day dictate what we can do.

As I said in an earlier intervention, we should revisit the position in five years' time when the economy will have recovered and we will be in a much stronger position because of the coalition Government's decisions. There may be a case then for reconsidering whether the people who took out policies but will not retire for five, 10, 15, even 25 years should receive a top-up. That is a reasonable proposal, and it is sensible for the coalition Government to consider it.

I commend the Bill to the House. I support it 101%, and the Treasury team are to be congratulated not only on what they have done, but on the clear answers that they have given to the points that have been made as we have considered the Bill in detail.

4.48 pm

Mr Weir: No one is going to oppose the Bill's Third Reading, for the simple reason that, if it fell, no one would receive any money. None the less, dealing with the Bill has in many ways been a frustrating experience. It is a paving Bill, as others have said, and the big elephant in the room is the cap and its effect on the overall amount of money available.

It would be churlish not to acknowledge that the Government have moved swiftly, and that is welcome. After 10 years spent arguing about the matter, we are finally getting somewhere with it, but to some extent the Bill is a missed opportunity, because of the cap and the inability to do anything about the Treasury's decision to introduce one. The effect will be dramatic. Nobody is arguing that, in the current situation, everybody should receive all the money to which they might be entitled. Even EMAG accepts that there will be, as the group put it, a "haircut", but some people will lose 80% of the compensation that they should have received, and that is not fair.

There are other inequities involved. I was frankly baffled by the Minister's mental contortions over the exclusion of pre-1992 with-profits annuitants. As I understand his remarks, we are now in the position where maladministration is okay as long as one does not know about it and where it becomes an issue only when one does know about it. That seems utterly perverse. By resorting to these measures, the Government have undermined what could have been a very good end to this long-running matter.

The hon. Member for Harrow East (Bob Blackman) is right—had the previous Labour Government grasped the nettle at an early stage, this issue could have been dealt with much more cheaply. A lot of the fault over the cost lies with the previous Government's unwillingness to do anything about it. Many of us have spent years in this House arguing that they should have done so; I have not changed my position over that period.

I think that there should be compensation, and I welcome what has been done. It is not sufficient, however, and many policyholders will still feel very aggrieved, and rightly so. It could have been dealt with better had it been done differently, perhaps with a larger cap or payments over a longer period. I can give half a thanks for the Bill, but I think that the Government will face problems in future because of their failure fully to deal with the issue.

4.51 pm

Sir Alan Beith: I must declare an interest in that I have a very small Equitable Life policy—so small that I do not think I will qualify for any repayment. My concern is for the large number of my constituents whose entire retirement is dependent on Equitable Life policies. The list of the people who write to me includes many of those who have contributed most to the community over the years: that is a striking feature of the names that I see in the correspondence. Many of them will still be angry at how little they are going to get for all the savings they put by.

The first thing to remember is that the primary responsibility for this situation rests with the utterly irresponsible management of Equitable Life. In many ways, that was a disgrace to the mutual movement. It underlines a weakness in the mutual movement, of which I am very supportive in general, which is that executives who want to advance their own careers favour the acquiring of new members at the expense of the

[Sir Alan Beith]

interests of existing members. It happened at Equitable Life, it happened at Northern Rock, and it happens in building societies; it is something that the mutual movement has to watch very carefully.

The regulatory failure that occurred is the basis of the Bill, which I hope we shall give a Third Reading. That regulatory failure has not led to action within anything like the time scale that it should have done. A decade has gone by: people have got older and people have died while action should have been taken.

I very much welcome the action that the Government have taken, very quickly, within a short time of their coming into office. I welcome the further announcements that the Minister has made in saying that there will be no tax liability and no effect on tax credits, and that special considerable will be given to the social care situation, bearing in mind that quite a lot of Equitable Life policyholders are now in social care, either at home or in residential care, and their cases need to be considered very carefully. I am grateful to the ombudsman for the work that she has put into this matter, and for her persistence in doing so, and to EMAG, which has done such a tremendous job.

This is not full redress even for all the regulatory failure that occurred, and I would not expect policyholders to be satisfied that they have got all that they are morally entitled to. However, the fact that the Government have moved quickly to ensure that payments will be made makes me feel entirely justified in going into the Lobby in support of the Bill. I am rather depressed that the response of Labour Front Benchers has been to say to the Government, "You gave people the impression that they might get more, and even though you're giving three times more than Labour would even have contemplated, we, the Labour party, did not promise anything at all." We had to act, and I am grateful for the fact that Ministers are doing so.

4.53 pm

Mark Durkan: This is a Third Reading debate, and I do not believe that the House should, or will, divide on the Bill at this stage.

As we have rehearsed in debates not only today but on other occasions, this is a can that was kicked in front of the Government for a very long time, to the frustration and disgust of very many people. I am glad that although not everyone who has lost out will be doing handstands, we no longer have the degree of hand-wringing from Government that we had for too many years.

In the earlier debates, I, like others, had some questions and criticisms. Those criticisms were because of the inadequacies and arbitrary limits in the provisions that have been put in place. Some of us have genuine concerns that, notwithstanding how much better the provisions are than those the previous Government were going to make, we as a Parliament should be careful about creating a situation in which we have a cap one on hand and a cut-off on the other, which together will conspire to create a selective injustice against some people.

When the Financial Secretary responded to debates on amendments, he made it clear that assessments of pre-1992 annuitants could be made to allow cases to be identified in which people had benefited from the inadequate regulation rather than losing out. In those cases, we should better provide for a scheme that will deal with everyone on a case-by-case basis, rather than risk class exclusion by assumption, which is what the cut-off provides for. I ask the Government to consider that further as they take the scheme forward.

I appreciate the Financial Secretary's indications that added consideration has been given to tax treatment and tax credits, and to the social care implications complications that could arise. I give the Government credit for that sensitivity and responsiveness.

My hon. Friend the Member for Nottingham East (Chris Leslie) rightly warned the Liberal Democrats to be careful not to make promises that they cannot keep. As a friend of the Labour party, but someone who was frustrated sitting on the Benches with Labour Members during the last Parliament, may I say that I hope Labour's Front Benchers also learn to be careful about making arguments that they cannot sustain? He has unfortunately been left in a position of trying to criticise the Bill, but he could not even afford to divide the Committee on straightforward, pure amendments. I feel sorry for him that the last Government's record put him in that position, and that he was left to make arguments that ended up, with all due respect, veering towards cynicism while the rest of us were trying to keep our arguments within the realms of legitimate criticism. However, I accept fully that he is not responsible for that position.

It is important to remember that this is not just a matter of what one Government or another did. The debates have shown that many Members of all parties have met constituents and carried their concerns. People have suffered compound distress, and that is what cannot be quantified. Someone might quantify what amount of money should be due to people and how much we can afford to give them, but we cannot calculate the compound distress caused to people not just by their loss but by the long indifference and inertia.

I acknowledged earlier the work in the previous Parliament done by my hon. Friend the Member for Leeds North East (Mr Hamilton), and we all acknowledge the work in this Parliament of the hon. Member for Harrow East (Bob Blackman), who has served notice that he will continue it. It is also appropriate to acknowledge the huge role played in the previous Parliament by the hon. Member for Shrewsbury and Atcham (Daniel Kawczynski). Perhaps it is right that a Member from one of the smaller parties says so; as he is currently a Parliamentary Private Secretary, he may not be in a position to participate in the active, vocal way that he so often did.

Many of us have criticised Sir John Chadwick today and at other times. I remember the hon. Member for Shrewsbury and Atcham reminding me of a line that I used to hear about Fanny Craddock. Apparently she used to offer some chicken recipe, and the first line of the recipe was, "First, catch your chicken." The hon. Gentleman and the all-party Equitable Life group had that difficulty with Sir John Chadwick, in trying to get him in and ensure that he and the Government properly engaged with them. Although many people will see shortcomings in the provisions, the fact is they represent huge and welcome progress. Some redress will now be given to people, and the quicker that that can happen the better.

None the less, we need to iron out any inconsistencies. Some of us are worried about something the Minister said earlier and the sort of precedence that it might create. He said that because people did not know about the maladministration, they can be deemed not to have suffered the same loss as those who did know. That is not an argument that I would ever want to become a rule of thumb for any such scheme again.

5 pm

David Rutley (Macclesfield) (Con): Like many others hon. Members, I have had a huge amount of correspondence on this issue. I have also met many of the policyholders and heard their sad tales and the way in which this drawn-out saga has affected their lives. I congratulate the Equitable Members Action Group on its hard-fought campaign and commend the great work that has been going on in the all-party parliamentary group. That has given many of us in this House, particularly new Members, an awareness of the situation. None the less, it has been a drawn-out saga, and I am delighted that the Minister has taken very speedy action to address the outstanding issues. He has made this Bill a priority and put forward £1.5 billion to assist with compensation at a very difficult time for the economy. Those are genuinely positive developments. As my hon. Friends the Members for Harrow East (Bob Blackman) and for Stratford-on-Avon (Nadhim Zahawi) have said, we have also had clarity on the tax treatment, which is welcomed by all of us.

I congratulate the Minister on his quick choice of National Savings & Investment to lead forward the speedy implementation. At the time of his ministerial statement, I remember his assuring the House that there would be a clear communication plan to help him inform policyholders on developments. I continue to urge both him and his Treasury officials to learn from previous compensation schemes to ensure that this one has flawless implementation. That is what the policyholders deserve after years of waiting. We cannot let them down at the point of implementation and operation.

Although it is essential to have clear information available through e-mails and websites, we must not forget the age profile of the people whom we seek to help. They are, typically, older—much older—and will need written communication and properly manned contact centres to ensure that they get the customer service that they need.

Richard Graham (Gloucester) (Con): Does my hon. Friend not agree that it is a real scandal that no settlement was made during the long years of the previous Government while many thousands of innocent victims, including my mother, died, and that that should remain on the previous Government's conscience for ever?

David Rutley: I agree. It is a tragedy that this has taken this long. Today's debate has been reasonable, but I felt let down by the uncharacteristic tone that was struck by the hon. Member for Nottingham East (Chris Leslie).

5.2 pm

One hour having elapsed since the commencement of proceedings on consideration, the debate was interrupted (Programme Order, 14 September).

The Deputy Speaker put forthwith the Question already proposed from the Chair (Standing Order No. 83E). That the Bill be now read the Third time.

Question agreed to.

Bill accordingly read the Third time and passed.

European Union Economic Governance

Madam Deputy Speaker (Dawn Primarolo): I must inform the House that Mr Speaker has not selected any of the amendments.

5.3 pm

The Financial Secretary to the Treasury (Mr Mark Hoban): I beg to move,

That this House takes note of European Union Documents (a) 9433/10, Commission Communication on reinforcing economic policy co-ordination, (b) 11807/10, Commission Communication on enhancing economic policy co-ordination for stability, growth and jobs – tools for stronger EU economic governance, (c) 14496/10, Proposal for a Council Regulation (EU) amending Regulation (EC) No. 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, (d) 14497/10, Proposal for a Council Directive on requirements for budgetary frameworks of the Member States, (e) 14498/10, Proposal for a Regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area, (f) 14512/10, Proposal for a Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area, (g) 14515/10, Proposal for a Regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances, and (h) 14520/10, Proposal for a Regulation of the15 European Parliament and of the Council amending Regulation (EC) No. 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies; notes the Report from the Task Force on Economic Governance in the European Union; notes with approval that budgetary and fiscal information will continue to be presented to Parliament before being given to EU20 institutions; and approves the Government's position, as endorsed by the Task Force that any sanctions proposed should not apply to the United Kingdom in consideration of Protocol 15 of the Treaty on the Functioning of the EU.

I welcome the opportunity to set out the Government's position on the Commission documents to be debated this evening and our broader position on the co-ordination of economic policy in the EU. As right hon. and hon. Friends will be aware, the European Council last month agreed the report of the EU Economic Governance Task Force chaired by Herman Van Rompuy, and we support its work and conclusions, none of which encroaches on Parliament's economic sovereignty. I want to be clear about that so that there can be no confusion about our position.

Let me deal first with surveillance. Macro-economic surveillance examines the budget plans of member states, and has been around for more than a decade. There is nothing new in that, and a number of international bodies do the same, such as the OECD and the International Monetary Fund. Does the fact that the EU is doing so mean that we will be subject to sanctions? No, it does not, because under protocol 15 of the existing treaty, sanctions do not apply to us.

Mr William Cash (Stone) (Con): Is my hon. Friend aware that the same Mr Van Rompuy has today issued a vicious attack on Eurosceptics throughout Europe, saying that what they argued amounts to a national lie?

Mr Hoban: I have not seen Mr Van Rompuy's comments. As hon. Members will recognise, I have been rather tied up in the Chamber for most of this afternoon.

Let me continue to make the Government's position clear. Will we have to present our Budget to Europe before we present it to the House? No. Will we have to give Europe access to information for budgetary surveillance that is not similarly shared with organisations such as the IMF, or that is not publicly available on the internet? Again, the answer is no. Will powers over our Budget be transferred from Westminster to Brussels? Again, the answer is no.

Philip Davies (Shipley) (Con): Does my hon. Friend understand that many people have lost confidence in assurances given whenever a new European treaty is discussed that there will be no loss of sovereignty? Ever since we went into the Common Market, the British public have been told at every stage along the way, "Actually, we're not giving up any sovereignty. This new treaty doesn't give anything away," but people have found time and again that these treaties have done just that. Does my hon. Friend understand people's concerns that although the powers in question do not apply to the UK at the moment, they may well do so in future, as the European Union is clearly looking at extending sanctions to non-eurozone countries as well?

Mr Hoban: Nothing in the documents before us today does what my hon. Friend suggests. People should listen and read the documents to which we have subscribed, and understand how firm and robust the Government have been in defending our economic sovereignty.

Jacob Rees-Mogg (North East Somerset) (Con): But does Mr Van Rompuy's report not suggest that there should be a binding minimum set of requirements for national fiscal frameworks that would apply to all member states?

Mr Hoban: I think my hon. Friend is reading an earlier draft of the report, because we amended that language at the latest ECOFIN. I will come to this point in a minute, but we believe that fiscal frameworks should be political agreements and should not be driven by directives or regulations.

Mr John Redwood (Wokingham) (Con): Will the Minister please confirm that the directive on budgetary frameworks for all member states will apply to the United Kingdom, that the second regulation on budgetary surveillance for all member states applies to the United Kingdom, and that the regulation for enforcement for all member states also applies to the United Kingdom? There are twin proposals in each case, some of which apply only to euro members and some of which affect all member states. Surely the Minister must confirm that that is a massive extension of European economic government, and the UK has to comply with a lot of it.

Mr Hoban: There is nothing new in the macro-economic surveillance processes outlined in the document and, as I have said, we are exempt from the sanctions regime that the Commission and others have proposed, which applies only to eurozone countries. Let me now make some progress.

We need to recognise that there are lessons to be learned from the economic crisis, but one lesson that stands out that is relevant to the debate this evening and to the documents is that in an open, global economy, no economy exists in isolation. The failures of economic policy in one country can be exported to other nations, and the imbalances in one economy can have an impact

on others. Imbalances such as excessive domestic demand and growth can lead to asset bubbles, an over-reliance on exports or divergence in competition across countries. It is in all our interests to improve co-ordination and co-operation in policy making, to tackle those imbalances and increase the resilience and strength of the global economy.

However, in our view, increasing co-ordination and co-operation has to be consistent with national sovereignty and the accountability of Parliament. It is those principles that frame our response to the documents and our response to the global economic crisis. There is an intense global debate about those topics in the G20, the IMF and the OECD, and in Europe. We take part in those debates because, as an open economy, we have a strong interest in economic stability. We are acutely aware that imbalances and problems in one economy can have a spill-over effect in another.

Mr Peter Bone (Wellingborough) (Con): Is the Financial Secretary saying that the taskforce document that I have, dated 21 October, has been rewritten? It concludes:

"Endorsement by the European Council of the recommendations in the present report will contribute to strengthening economic governance in the EU".

It clearly says "in the EU" as a whole.

Mr Hoban: But the sanctions regime relates only to eurozone countries, and no sanctions can be imposed on the UK. All that the document is referring to is continuation of the macro-economic surveillance that has been taking place over the past 10 years.

Mr James Clappison (Hertsmere) (Con): My hon. Friend is making his case persuasively, but will he assist me? The same document from Mr Van Rompuy, dated 21 October—I take it that that is the latest report—clearly states in paragraph 34:

"The Task Force recommends deeper macro-economic surveillance with the introduction of a new mechanism underpinned by a new legal framework based on Article 121"

of the treaty on the functioning of the European Union alongside the stability and growth pact

"applying to all EU Member States".

Perhaps my hon. Friend will help the House by telling us a little about that.

Mr Hoban: I know that that paragraph has caused some interest, but many people stop reading after

"by a new legal framework".

I am grateful that my hon. Friend did not fall into that trap. The provision is based on existing treaties, and it is about macro-economic surveillance. A number of organisations conduct macro-economic surveillance of the UK economy, and there is nothing new in that.

Michael Connarty (Linlithgow and East Falkirk) (Lab): I hope that the Financial Secretary realises that we are here to support him in a sensible approach to economic surveillance. Does it not seem rather silly for people to say that a country that is in partnership with many other countries should not be interested if any of those countries are profligate? Clearly, good surveillance and good economic policies throughout the partnership are good for the UK.

Mr Hoban: The hon. Gentleman makes an important point, and I am about to come to that, so his intervention is timely. Given the degree of integration of the European economy, it is in our national interest to support work that looks at the causes of instability and to have in place action to help to tackle them. Over the summer, there have been two parallel processes in Europe. The Commission has its own work stream, which is summarised in the documents before us. However, member states have participated in a separate strand of work on the co-ordination of economic policies under the chairmanship of Herman Van Rompuy. Many of the issues covered are the same, but there are essential differences between the two streams. The Commission's documents detail solutions, and the Van Rompuy work reflects the political agreements reached between member states. The next step is to bring the Commission's proposals into line with the taskforce's recommendations.

I shall deal in more detail with three aspects of the taskforce's work.

Mr Bernard Jenkin (Harwich and North Essex) (Con): Is my hon. Friend giving an assurance that not only are there no sanctions—we understand that—but there is absolutely no increase in EU jurisdiction over the British Budget-making process?

Mr Hoban: No, there is not, and I shall come to that in more detail. As far as I am aware, there is no difference in the power that the House has to set the Budget for the United Kingdom.

Mr Jenkin: I am sorry, but I must insist on the Minister giving way again. Is there any increase in EU jurisdiction over the British Budget-making process as a result of these arrangements? Yes or no?

Mr Hoban: I do not believe that there is.

Let me deal with the three aspects. In every international economic debate, the issue of increased co-operation and co-ordination arises. At last month's G20 Finance Ministers conference, the focus was on exchange rates and current account surpluses. At the IMF annual meeting in early October, there was considerable debate about tackling deficits. Those discussions of macro-economic policy are not a new feature of the crisis. For example, since its inception, the IMF has undertaken regular reviews under article 4 of macro-economic policies and made recommendations on policy response, but they are not binding. The EU has had similar procedures in place for a decade. It is in all our interests for there to be economic stability in Europe, and the process needs to be strengthened. What we are doing is simply renewing the existing framework in the light of the economic crisis and updating the tools that we have, to ensure that we can do what we need to do. The measure will broaden the scope of surveillance, but, as far as the UK is concerned, it will not weaken the sovereignty of this Parliament.

Risks to stability often flow from imbalances in the economy, and it is important to look at factors such as current account balances, labour market flexibility and competitiveness across the European Union and to be able to identify problems that could undermine stability. Macro-economic surveillance has an important role to play as an early-warning system.

Mark Hendrick (Preston) (Lab/Co-op) *rose—*

Mr Redwood *rose—*

Mr Hoban: I should like to make a bit more progress on this point.

It is right that we should co-operate with this process, but our co-operation should be consistent with the fiscal sovereignty of the UK. The information that we provide to assist with the surveillance will always be information that has been made available to this House before it is passed to the Commission. Everything that the Commission gets will have been in the public domain, to the extent that a member of the public will have been able to unearth the same data using Google, albeit with less efficiency.

Mark Hendrick: The information might be available elsewhere, but the Minister will know that, as a result of the proposed new regulation Com. (2010)526, there will be an obligation for the UK to provide far more information than it has done in the past. There may not be penalties involved, and we may well run up budget deficits or levels of debt that were unacceptable to the Commission—I am sure we can do that—but the point is that this country will be obliged to provide far more information formally to the Commission than it has in the past. In my view, that constitutes a degree of transfer of power to the Commission.

Mr Hoban: Let me repeat that this involves information that is already out there in the public domain. It is information that will already have been made available through, for example, the House of Commons Library, the Budget documents, the Red Book or the Green Book. It is information that is already out there, so I do not believe that supplying it will be a problem.

Mark Hendrick: The point is not that the information will have been made available elsewhere; it is that there will be an obligation on the Government themselves to make it available. If the Commission wanted to go out and find it elsewhere, I am sure that it would do so, but there will now be a new obligation on the Government, as a result of a new treaty, to give it information that they were not previously required to give.

Mr Hoban: I simply do not take the view that giving the Commission more information is going to be a problem. This goes back to the intervention by my hon. Friend the Member for Harwich and North Essex (Mr Jenkin), who asked whether there is to be an increase in EU jurisdiction as a result of this measure. No, there is not. All that the EU will do is make recommendations, but they will not bind us or be imposed on us. We can simply ignore them. There will be no increase in EU jurisdiction as a consequence of this measure.

Mr Cash *rose—*

Mr Redwood *rose—*

Mr Hoban: I am being bombarded by requests to give way. I shall give way first to my hon. Friend the Member for Stone (Mr Cash).

Mr Cash: The explanatory memorandum dealing with the jurisdictional question, which was supplied to the European Scrutiny Committee on 23 October, states, under the heading "Impact on United Kingdom Law":

"The Regulations once adopted would be 'binding in their entirety and directly applicable in all Member States'. However, in accordance with Article 1 of the proposed Regulation, the Regulation on enforcement measures will apply (only) to the Member States whose currency is the euro."

That is made absolutely clear by the Minister's own document that he supplied to the Committee.

Mr Hoban: Hon. Members should think about this carefully. All that we are doing is providing more information to the Commission, and it is information that is already in the public domain and that has already been presented to Parliament.

Mr Redwood: Will the Minister confirm that there are two big new regulations that relate directly to the United Kingdom? One relates to budgetary surveillance on all member states, and the other relates to enforcement against "macro-economic imbalances", as the Commission so elegantly describes them. These are new powers in new regulations. Why are the Government consenting to them?

Mr Hoban: The enforcement point does not apply to the United Kingdom as a consequence of protocol 15 of the existing treaty framework, because we have opted out of that part. My right hon. Friend is knowledgeable about these things, and he will recognise that the Commission makes proposals, and that ECOFIN and the European Council have set out a clear policy framework on this, as reflected in the conclusions of the Van Rompuy taskforce, which make it very clear that sanctions do not apply in the UK.

Several hon. Members *rose—*

Mr Hoban: Let me make some more progress; otherwise, hon. Members will not have the opportunity to participate in the debate. Let me continue for a few more moments.

Many organisations and individuals, including the IMF and the OECD, scrutinise our economy and our budgets. Many make recommendations or, as happened recently, praise our fiscal consolidation plans. We have nothing to hide from any of these bodies that want to look at what we announce to Parliament or at the economic figures published through the Office for National Statistics or through Departments. It is our decision whether or not we listen to their advice. The UK will continue to prepare its Budget independently; others can make recommendations about it, but, crucially, we are under no obligation to take action and, by virtue of our opt-out, we are not subject to sanctions. Any recommendations, as with those made by any other body, will remain just that. It will be down to the Treasury and Parliament, not to the EU, to construct our Budget.

Lady Hermon (North Down) (Ind): I am enormously grateful to the Minister for taking my intervention. As the hon. Member for Stone (Mr Cash) said, these regulations are entirely binding on the United Kingdom. Can the Minister assure us that, if the Government decline to give the information requested under these

regulations, the European Commission will not take enforcement proceedings against the UK Government for not complying with them?

Mr Hoban: I do not see the point of not sending information that is already in the public domain. Why would we be so churlish as not to send out stuff that could be got from Google or from the Library or by tabling a written question to the Prime Minister?

Andrew Percy (Brigg and Goole) (Con): I am getting a little confused. If the information is already in the public domain and any organisation can find it, and if we do not have to listen to any recommendations made, what is the point of our agreeing to this?

Mr Hoban: Given that the process is very straightforward, I begin to wonder why it is causing so much excitement. The reality is that the information is already available and the recommendations do not apply to us. The enforcement mechanism applies to eurozone states; they are subject to sanctions, but we have a carve-out from that because of protocol 15.

Michael Connarty: May I suggest to the Minister that one of the attractions of the new procedure is that every country in Europe will have to carry this out? They would find out well before any crisis—as we saw in Greece, for example—that they were in trouble. It is a little bit of information to give and a lot to get back. I think that the "Euro-loony party" contingent should leave the Conservative party, so that people with some common sense can deal with Europe sensibly.

Mr Hoban: I am not going to go down that route, but it is important that information be available. Over the course of the financial crisis—not just in the EU, but globally—we have seen the importance of understanding structural imbalances and their impact on other economies. This is an important strand of debate and it will be continued when the G20 meets later this week. It was certainly an important strand in the G20 Finance Ministers' meeting last month, and, indeed, in the IMF's annual meeting in October. There is nothing new in discussing these issues.

There is an existing mechanism for surveillance in place through the broad economic policy guidelines, but the warning mechanism has been used only twice: it was used for Ireland in 2001, and Greece received a warning in February this year. An improved mechanism would help towards achieving greater economic stability and it is particularly important for the eurozone, where the effects of imbalances and instability have a greater impact on its members, as has been apparent in recent months. That is why eurozone member states support a sanctions regime, penalising eurozone members whose economic policies undermine the stability of the currency and the eurozone economy. The sanctions do not apply to us, as I have said. I give way—

Mark Reckless (Rochester and Strood) (Con) *rose*—

Mr Speaker: Order. Before the hon. Gentleman intervenes, I note that the Minister has been on his feet for 21 minutes and has attended most assiduously to a number of interventions, and that is perfectly in order. However, I emphasise that there is an hour and a half for this debate, and a substantial number of Back-Bench Members have indicated to me that they wish to speak. It would be a very sad and unsatisfactory state of affairs if contributions from those on the Front Bench were to exceed in total those from Back Benchers. On that basis, I feel sure that the Minister, who is an adroit fellow, will be bringing his remarks to a close ere long.

Mr Hoban: I thank you, Mr Speaker, for that encouragement and guidance, and I apologise for being generous in taking interventions. Let me make rapid progress.

On the issue of sanctions, the same principle applies for those eurozone countries that are in breach of the stability and growth pact excess deficit procedures. In the run-up to the crisis, there was a lack of fiscal discipline, for those inside and outside the euro. Despite the existence of the stability and growth pact and the excess deficit procedure, the eurozone was still undermined by a failure to exert fiscal discipline, and a number of member states in the eurozone have to take tough action to tackle the deficit.

To avoid a recurrence, the Commission and member states in the eurozone have sought to reduce the discretion on the application of the sanction process. The position reached by eurozone countries is set out in the taskforce report. Again, it is worth reminding the House that the sanctions regime does not apply to the UK by virtue of protocol 15 of the current treaty.

Mr Edward Leigh (Gainsborough) (Con) *rose*—

Mark Reckless *rose*—

Mr Hoban: I will not give way. I listen carefully to the guidance of Mr Speaker.

To secure fiscal discipline, strong fiscal frameworks are required, as our experience in recent years demonstrates. The fiscal rules developed by the previous Government failed, because their flawed design and remarkable flexibility meant that, despite the rules being met, this country still ended up with a financial crisis. A strong fiscal framework is necessary if we are to have strong public finances. We have shown leadership on that, for example in creating the Office for Budget Responsibility, a move that has been welcomed by the IMF and the European Commission. Our reforms meet the highest possible standards, and we support responsible fiscal rules at home and abroad. We have achieved that through the mandate the Chancellor set in his emergency Budget.

Mark Reckless: Will the Minister give way?

Mr Hoban: Although strong fiscal frameworks are vital, we also believe that fiscal sovereignty is crucial, and that is why the frameworks—the mandates, mechanisms and institutions—should be decided by national Governments and not by European legislation. That position is reflected in the taskforce report, and it is the position that we will adopt in discussions with the Commission.

Mr David Davis (Haltemprice and Howden) (Con): Will the Minister give way?

Mr Hoban: We have protected the sovereignty of the House on fiscal matters, and our position on EU economic governance is clear. We need better macro-economic surveillance and fiscal frameworks, because stable and sustainable economic growth across Europe is in the long-term interest of this country. However, that should not be at the cost of our fiscal and economic sovereignty. The Van Rompuy taskforce updates and strengthens the existing framework. On surveillance, therefore, the taskforce recognises, with explicit references to protocol 15, that the UK's opt-outs mean that we are not subject to the sanctions regime.

Fiscal frameworks should be stronger, but should not be dictated by Europe. It is the history of this House to defend fiercely our fiscal sovereignty. Through the agreement reached, the Government have achieved that. No sanctions will be imposed on Britain, and we will be free to set the right fiscal policies for our country's needs.

Several hon. Members *rose—*

Mr Speaker: Order. Members are free to try to intervene whenever they wish, and Ministers can respond accordingly. I simply want it to be understood that the House can do as it wishes, but it should do so with its eyes open.

Mark Reckless: On a point of order, Mr Speaker. Did not the Minister agree to take an intervention, before the intervention from the Chair?

Mr Speaker: That is not a point of order at all. The hon. Gentleman should resume his seat and not dilate. Mr Christopher Leslie.

5.29 pm

Chris Leslie (Nottingham East) (Lab/Co-op): Thank you very much, Mr Speaker.

Lurking on the future business section of the Order Paper for some weeks has been a motion for the House to note the European Union taskforce report on European economic governance. Although that gestation period seems to have been overtaken by the events that have transpired following the European Council, it is a pity that an urgent question from the hon. Member for Stone (Mr Cash) was required before light began to be shed on any of the details being considered by the real power brokers in Europe. Our Prime Minister was clearly left on the sidelines in many of the discussions. If I were generous, I might say that that was fair enough, given that we are outside the eurozone. However, the European Council meeting at the end of October showed clearly that the Germans and the French are very much in the driving seat; leaving the Prime Minister with a few scraps to hold aloft as pseudo-trophies in the European Union budget discussions while clearly being unsure how to cope with the prospect of a new treaty being dropped in his lap.

Mark Reckless: As the Front Benches appear to be in agreement on this issue, may I ask the hon. Gentleman a question? Surely the point is that, as he said, France and Germany, which are in the eurozone, need something from us. We had a veto, yet we agreed to this notwithstanding the veto. The 2.9% had already been agreed by the Council. We had a veto on the Next Perspective. What do we get in return?

Chris Leslie: I shall deal with the nature of the changes in a moment—and there are changes. It would be a bit disingenuous to suggest that nothing is changing in this regard.

From our point of view, eurozone stability and a sensible crisis mechanism are worth while, and it is clearly in our national interest to engage strongly in discussions and reforms that promote economic stability across Europe. We will support sensible changes that benefit the United Kingdom. The core idea of improving the rescue mechanisms for eurozone countries facing severe economic difficulties makes logical sense, and it is also wise to find a permanent footing on which to base any new rules rather than relying on temporary arrangements that might either expire or be subject to legal challenge. However, the Prime Minister and the Government are protesting just a little too much that this is entirely a matter for the eurozone, and absolutely nothing to do with us. In fact, there are indirect implications for our economy because of changes that might affect economic growth in the eurozone, as well as direct policy implications that could change the way in which we operate in the United Kingdom.

Mr Jim Cunningham (Coventry South) (Lab): My hon. Friend will recall that the previous Prime Minister and his Government drew up five economic tests. Had it not been for him, we would not be debating the motion today, because we would be part of the eurozone.

Chris Leslie: It was certainly worth punctuating the debate with that point, which my hon. Friend made forcefully and well.

Mr Leigh: Will the hon. Gentleman now kindly respond to the intervention from my hon. Friend the Member for Rochester and Strood (Mark Reckless)? Is the Labour party prepared ever to fight for a repatriation of powers, and would it be prepared to use the veto that it has used for the purposes of this measure as a bargaining chip to gain that repatriation of powers?

Chris Leslie: Our perspective is clearly different from that of the hon. Gentleman. I want to consider what is on the table. There are details still to come when the European Council meets in December, and we shall have to look at those proposals then. It seems to me that there is a case to be made for some sort of objective analysis of just what transfers of policy may or may not be involved in the proposals that are before us today.

Philip Davies: Does the hon. Gentleman think it makes sense for an organisation whose accounts have not been signed off by auditors for 16 consecutive years to be given more powers over economic and financial governance?

Chris Leslie: The hon. Gentleman has made his point in his own inimitable way, but I do not want to be diverted from the substance of what is before us. There is a substantial proposition on the table, and I think it is important for all Members to understand it. The detail that will eventually emerge from the final taskforce report is important, and it would be useful if the Minister could deal with some of the question marks that hang over some of the detail, to which Members have already alluded.

For example, a series of new fiscal disciplines—as they are called—will be pursued across the European Union but, of course, largely for eurozone countries; yet the adoption of enforcement measures will apparently be subject to the negative qualified majority voting procedure. That presumably means that the United Kingdom will take part in any of those decisions. If that is so, can the Minister say how we will inform our policy position if we are involved in votes on enforcement measures? While we may not have a vetoing power here, our role could be strategically significant.

Kelvin Hopkins (Luton North) (Lab): My hon. Friend is using terms like "largely" and "presumably". These are not definite enough for me. Please will he be firmer and clearer in what he is saying?

Chris Leslie: I wish I could be firmer and clearer, but we are dealing with a malleable set of proposals. The bundle of directives keeps changing, moving and morphing from phase to phase, and the directives will clearly go into a different phase when the European Council meets in December, but we can discern the rough direction of travel, and many Members will take a firm view on that.

The Minister talked about the sanctions. Yes, it is the case that they may not apply to the UK because of our opt-out from the euro, but the range of non-binding standards and early warning requirements in the event of significant deviation from the adjustment path apparently would apply to the UK; I should be grateful if the Minister would confirm that that is the case. Even if the UK is to be subject only to such commentaries, public observations or other non-binding standards, the Minister should tell the House how they would work and what the implications for us would be. Clearly, what the taskforce report calls the new reputational and political measures will be phased in progressively, but is it correct to read the proposals as also applying to the UK? In other words, is it not true that we will be subject to reporting requirements, potential formal reporting to the European Council in certain circumstances and enhanced surveillance—whatever "enhanced" may mean—if the situation dictates? Is it not also true that we will be subject to onsite monitoring from a mission of the EC—which I thought was curious, and which certainly might be of interest to some Conservative Members—and possible publication in the public domain of these reports and surveillance? Will the proposed regulations to strengthen the audit powers of Eurostat also apply to the UK, and what are the anticipated compliance costs of those changes for the UK and the Treasury? If we fail to comply with the proposed requirements, is it not the case that sanctions could be applied to the UK?

Mr Redwood: If this House and a properly elected British Government have chosen a certain course of action on the deficit or the balance of payments—or on whatever—how does it help to have the EU marking the homework, condemning it and using moral suasion to say that this House is wrong?

Chris Leslie: Well, my point is that it may or may not be a sensible move—as a pro-European I think benefit could come from it—but what is important is that we get clarity from the Government about what exactly is on the table. If there are to be treaty changes and other new regulations, the Minister has to be straight about that with the country and the House. The latest sanctions in the framework—in terms of interest bearing deposits, non-interest bearing deposits and eventual fines—may not apply to the UK, but there is a first phase to that process which is the application of standards and assessments of our economic and fiscal position, and that will apply to the UK. The motion seeks approval for the Government's position that any sanctions should not apply to the UK because of our euro opt-out, but there are developments here that strengthen the role of the EU in respect of our economic policy, and while that may be a good thing, some Members of this House would be wary of it.

There are also wider implications for our economy and our growth trajectory. For example, I am particularly intrigued by the German argument that bondholders should have greater liability—such as in the form of interest payment holidays, or bond value haircuts, as they are known—for potential future eurozone bail-outs. The implications for UK banks and bondholders could be significant if they are embroiled to a larger extent in the crisis management mechanism. UK banks hold particularly high proportions of Irish and Spanish liabilities. A recent Bank for International Settlements report found that 22% of Irish bonds and 11% of Spanish bonds are in UK hands. There has been much discussion of whether City investors are therefore subject to higher risk, or whether the markets have already priced that in. Either way, there are indirect implications for British investors. Moreover, the new suite of policy changes affecting eurozone economic governance will not just be on paper; the changes will bite in the real economies in each of the eurozone countries and could have a bearing on their own internal growth and investment plans.

Mark Hendrick: My hon. Friend hits the nail on the head. While the UK may not be signed up to the stability and growth pact and we may not be subject to EU deficit procedures, stability and growth in the eurozone are very important to the British economy. Moreover, the way in which the Government are dealing with our deficit will put British growth at risk, and that is part and parcel of how we interact with the other economies in Europe.

Chris Leslie: My hon. Friend makes a strong point. If fiscal policies across the eurozone are simultaneously shifted towards a marginally more deflationary stance as a result of the new policy framework that we are debating tonight, the resulting contraction in economic activity and consumer spending could impact on the sale of British goods and services in those countries. In other words, the eurozone—which, as we know, is by far the UK's largest trading partner, accounting for more than 50% of our exports—could face economic challenges and, in turn, it is likely that UK companies will face problems exporting to those markets. Add to that the G20 discussions on international currency issues and an influx of capital to the eurozone following worries over the dollar and the Chinese renminbi and we can imagine a relative appreciation of the euro afflicting our exporters still further. We will have to see how that latter issue pans out in particular, but this is of significance to the UK.

Mr Jenkin: Is the hon. Gentleman arguing that somehow these arrangements will give us more influence and more control over the economies of other member states? On that basis, should we therefore not be seeking to enter into arrangements of the same sort with, say, the United States, so that we can control its deficit? The US deficit will have far more effect on our economy than any individual deficit in any individual member state of the EU.

Chris Leslie: Those of us in opposition are merely asking questions and scrutinising what is on the table, but we are trying to find out what will be the impact on the UK. Ministers are arguing, "Don't worry, absolutely nothing changes and there is no impact whatever." As far as I can see, there are strands and suggestions that there will be an impact, both direct and indirect. In that respect, although we might have different views, there might be a point on which we can agree.

If the eurozone deflation and the shrinkage of European economic markets affect our exports, that matters, because the Treasury has depended on them so greatly. The June Budget and the spending review were predicated on a return to strong economic growth here in the UK, based principally on higher business investment and strong export growth. The Office for Budget Responsibility analysis shows that the cuts imposed because of the Chancellor's austerity programme and his overly speedy deficit reduction strategy will see private consumption shrink rapidly and Government consumption doing the same.

Cuts in domestic expenditure will hit growth—that much is clear—but the Chancellor has bet the shop on the countervailing growth in trade and business investment. The Treasury states clearly that it needs £100 billion of growth in exports and business investment, yet the last time we saw such a massive rate of growth for exports was in 1974 and we achieved that rate of improvement in business investment only in 2005, but the Chancellor's sums depend on the UK achieving both those record levels in each of the next three years—a very tall order indeed, equivalent to tripling our exports to the US and seeing our exports to China grow 20 times or to India 40 times.

Clearly, our reliance on the eurozone's appetite for our exports is central to the Chancellor's strategy, so there are implications for British fiscal policy here.

Kelvin Hopkins: I thank my hon. Friend for giving way yet again. He focuses on trade, but it is in trade that we have our worst possible relationship with the rest of the EU. We have a gigantic trade deficit. We buy billions more from them every month than they do from us. The only advantage we have had in the last year or two is that we have depreciated the pound relative to the euro and we have started to see a slight improvement in our trade balance with the EU.

Chris Leslie: If we see growth dented here in the UK because those ripples flow from the eurozone—changes as a result, perhaps, of the measures we are debating—we could see further implications for spending cuts here in the UK in respect of vital public services and more austerity when perhaps stimulus would be the order of the day. However, there is a balance of risks here and it is clearly important for fiscal discipline to be exercised, but responsibly so. We have argued for a sensitive and measured approach to deficit reduction in this country, rather than the doctrinaire approach of steep and swift cuts favoured by the parties whose Members sit on the Government Benches.

I am glad to note the ironic analysis of the Minister in the explanatory memorandum that was referred to, which he signed last week. He said that he believed

"that the main consideration should be whether a Member State's debt is on a downward trajectory, rather than the specific pace of annual debt reduction".

He also said that the numerical pace should remain

"only as an indicative benchmark…that…is not used as a concrete rule by which Member States' debt reduction plans are judged."

How right he is—if only he applied such pragmatic sense to our economy and public services in the UK, too.

Claire Perry (Devizes) (Con): I am enjoying the hon. Gentleman's measured canter around the potential risks associated with this legislation and I am also entertained to hear the words "stability and growth" coming from Members on the Opposition Benches—something that perhaps they did not achieve towards the end of their time in office. However—perhaps I am front-running his conclusion—is he going to vote for or against the legislation tonight?

Chris Leslie: As I see it, it is difficult to know yet what propositions are before us. I want to hear the Minister's answers to our questions and we will make up our minds then. The substance of the regulations and the eventual treaty changes might be beneficial, but we also have to wait and see what President Van Rompuy proposes in his eventual treaty amendment and what emerges from the December Council meeting. We are not at the end of a process; we are in it. There are further propositions to be put on the table.

Mark Hendrick: One regulation that might well be on the table is for any member state of the European Union, within or outside the eurozone, that has a debt level of greater than 60% of GDP to reduce that debt at a rate of at least 5% per annum. That could well be a regulation that the Government sign up to, even though they might not be subject to penalties if they do not keep to it.

Chris Leslie: Indeed. There could be significant direct policy changes as regards transfers of policy and also indirect economic impacts on the UK. We have to see more detail about what will emerge from those who are in the driving seat—unfortunately, that does not seem to be either our Chancellor or our Prime Minister.

Matthew Hancock (West Suffolk) (Con): Will the hon. Gentleman give way?

Chris Leslie: I want to make a bit of progress—but it is too tempting.

Matthew Hancock: I am extremely grateful. The Minister made a clear statement that this House, under this Government, will retain fiscal sovereignty. Would the hon. Gentleman?

Chris Leslie: We take the view, as we always have, that where it was in the British interest to co-operate with our European colleagues, we would do so. The hon. Gentleman's continuing loyalty to the Chancellor is

laudable—he has a record of that—but I am not sure that he has convinced the colleagues on his own side. The coalition remains precarious on Europe, straddling so many major divisions on how to proceed. It is little wonder that the Prime Minister is on the margins of these discussions in Europe when he is buffeted between the margins of his own Government. He is caught somewhere between the pro-European enthusiasms of the Deputy Prime Minister—at least, that used to be his position before the general election, and I am not quite sure what his position is now—and the anti-European Union noises from a sizeable chunk of his party. Will the Prime Minister persuade his colleagues that any treaty should not require a referendum? We shall have to wait and see. Although the Government might be concentrating on papering over the cracks in the coalition, the Opposition will monitor closely the impact of these changes on exports, growth, jobs and the prosperity of this country. Those are the issues that matter to our constituents and they are our priorities.

Several hon. Members *rose—*

Mr Speaker: Order. We have fewer than 45 minutes and approximately 15 Members are seeking to catch my eye. Right hon. and hon. Members can do the arithmetic for themselves, but a certain economy will be required if many are to be satisfied.

5.48 pm

Mr William Cash (Stone) (Con): This debate and the Minister's remarks remind me of what Alice said in "Through the Looking-Glass", when she referred to Humpty Dumpty and his rather scornful tone:

"'When I use a word,' Humpty Dumpty said...'it means just what I choose it to mean—neither more nor less.'

'The question is,' said Alice, 'whether you CAN make words mean so many different things.'

'The question is,' said Humpty Dumpty, 'which is to be master—that's all.'"

That is the essence of the question of European economic governance. We have been told that it is good for us, that it does not affect us and that it does not make a difference. However much one gets into the interpretation of those words, the European Scrutiny Committee's report makes it clear that there are significant differences, in aggregate, between different parts of the regulations and directives. If the proposal is accepted by the Government, they will effectively cross the Rubicon and similarly, by acquiescing in ever-greater European governance over our economy, they will significantly undermine our ability to govern ourselves. We need less Europe, not more.

The proposals extend to the United Kingdom, as a member of the European Union, thereby raising questions of sovereignty. Under the aegis of the forthcoming Bill on the European Union, my Committee will hold an inquiry so that we can sort out once and for all whether it is the House of Commons, Parliament and that sovereignty which governs the country, or whether it is the European Union. Under Standing Orders, the Committee's duty is to report to the House, not to the Government, on matters that we regard as requiring debate by reason of their legal or political importance. The scrutiny reserve remains in place until the debate has taken place, and thereafter Ministers can, and no doubt will, vote and/or agree the proposals, but may continue negotiations.

I was glad that the Minister's explanatory memorandum stated specifically, on several vital matters, that the Government would

"seek to ensure in negotiations"

that matters of concern would be improved. In doing so, the memorandum by definition conceded that these issues have not been resolved entirely, that negotiations could improve them, that they do make a difference to the United Kingdom, its Government and its Parliament and that they have to be remedied. As Chairman of the Committee, I have placed in the Library a note in my name on all these matters, so anyone who wishes to look at them may do so.

I was puzzled by the Prime Minister's response to a question that I asked during his statement to the House on the outcome of the European Council meeting. He accepted that the matter was complex and required a greater opportunity for exchange of opinions and explanation, but he also said:

"This is not a new framework."—[*Official Report*, 1 November 2010; Vol. 517, c. 614.]

I find that extremely puzzling, however one construes it, given the evidence before us and the specific reference to a new surveillance framework in the taskforce report and in the presidency conclusions that he signed off. The truth is that the Commission intends to exert peer pressure on all member states of the European Union. The taskforce report of 21 October preceded documents being placed in the Library, following an urgent question I asked, emblazoned with the word "limité", which means very restricted circulation. They included a letter of 9 July from the Chancellor of the Exchequer to other member states. It might be thought that there was every reason to present those documents to the European Scrutiny Committee, even if they were not specifically depositable. The Committee does not operate by website.

A substantial question on whether the UK is affected has been dealt with in a note that I received from the Library, from which I shall quote, on increased macroeconomic surveillance. It says:

"It is proposed that a greater role is played by the Commission in macroeconomic surveillance. This surveillance mechanism would be distinct from that currently taking place under the SGP"—

the stability and growth pact—

"because it is non-fiscal in nature; it will focus on countries' broader macroeconomic positions in relation to the rest of the EU."

The note goes on:

"The idea of deeper macroeconomic surveillance was put forward in March this year as part of the...Europe 2020 proposals",

which were, of course, under the previous Government. The note continues:

"As originally envisaged, the deeper surveillance framework would apply only to the euro area countries; however, the Commission proposals of 30th June"—

after the general election—

"and the Task Force Report of 21st October"

both apply to "all Member States". That is a matter of considerable concern. Why have the coalition Government agreed to extend the framework to all the member states, whereas the previous Government appear to have confined it exclusively to the euro area? As my hon. Friend the Member for Hertsmere (Mr Clappison) said, the taskforce recommends deeper macroeconomic surveillance, with the introduction of a new mechanism

[Mr William Cash]

underpinned by a new legal framework based on article 121. The Minister's explanatory memorandum specifically refers to the legal impact and therefore the jurisdiction of these matters, as I have already mentioned, which clearly shows that there is a legal impact on the UK. Therefore, by definition, the proposed mechanism affects the UK and hands over jurisdiction in these matters to the European Court of Justice for interpretation and construction.

Furthermore, it is possible, and even likely, that the stricter reporting requirements will apply to the United Kingdom under the macroeconomic surveillance proposals, particularly if the UK were placed in an excessive imbalance position. We have always conceded, right from the beginning, way back to the time of the Maastricht rebellion, that there would be no sanctions because of the opt-out that we achieved. The fact that the Government continuously state that it is a victory not to have had sanctions imposed is merely a statement of the obvious. I go further. I would be grateful if someone could tell me which member states have ever paid any fines or had any sanctions imposed upon them under any of these arrangements. The answer is none, and there are those who argue that there never will be.

We are in a difficult situation with regard to how we will vote on the motion. Serious questions arise, and I was concerned when I read the letter and the appended document from the Chancellor of the Exchequer, which I had to extract by way of an urgent question, for which I was most grateful, Mr Speaker. In that, there is a description of economic governance, the words of which would not be easily understood. It states:

> "Democratic legitimacy is vital to everything that the EU does, and Ministers need to be accountable both to other Member States and to their electorate."

I find that a new and strange doctrine, and a rather dangerous one. I had no idea that Ministers were accountable to other EU member states. It is conceded, and I agree, that the United Kingdom Budget will be presented first to the UK Parliament, but the essence of the problem is that in the compilation and the construction of the Budget, a series of data and statistical information would have to be provided. That in itself creates the framework that constricts our ability within our parliamentary process to act on our own terms and in line with the principles that underpin our parliamentary Government—that matters of taxation and spending and the formulation of them depend upon the House of Commons, not upon the European Union.

Given the significance that has been attached to these ideas, they represent a drift and an acceptance of European economic government through the surveillance framework by increasing the powers available to the Commission. This does not in any way alter the degree of intrusion into the construction of our Budget before it is presented to Parliament. One of the most difficult aspects is that far from our having a need for much less European economic governance, we are having more. As we move further forward and become more absorbed into this arrangement, we have to ask what is actually happening in the EU itself. As one of the other national European scrutiny committee chairmen said to Mr Van Rompuy when I was in Brussels the other day, "Will the European Union go bankrupt if we refuse to obey your rules?" Other member states are beginning to get the message, which is why I think Mr Van Rompuy issued that assault on Euroscepticism throughout Europe. He is getting the message that people in national Parliaments are not prepared to accept, for example, the fact that their economies have failed because of the EU's refusal to deregulate and repatriate. I mention in brief the Deputy Prime Minister's remarks on that subject, because he clearly stated that there would be no repatriation, despite what my right hon. Friend the Prime Minister asserted in his speech to the Centre for Policy Studies in 2005.

We need to generate enterprise for small and medium-sized businesses. There is the failure of the Lisbon agenda, massive unemployment, of more than 20% in some countries, riots, protests and a sense of failure, despair and democratic hopelessness. This is reflected—

Mr Speaker: Order. The hon. Gentleman is straying very considerably wide of the matters under discussion. I know that he is a sensitive fellow and will be aware of the significant number of other Members who wish to contribute, so I feel sure that, in bringing his remarks to a fairly early close, he will focus on the matters that are before us, rather than those that are not.

Mr Cash: I entirely accept that and will bring my remarks immediately to a conclusion.

Rules and regulations will not turn the European Union into a thriving economy with which we trade. It is said that 50% of our trade is with the European Union, and that the proposals before us are necessary to achieve stability in the European Union. The crucial point is that, underneath all those rules and regulations and the determination to achieve European economic governance, we are going the wrong way, not the right way. The measures do affect us. We need more enterprise, more small businesses, more deregulation and repatriation. I am not surprised, therefore that in a recent opinion poll 80% of people said that they wanted the repatriation of powers from the European Union.

We are being more and more absorbed by a failed European Union. Under this coalition, roadblocks are being put up to prevent us from sorting that out, and the new surveillance framework is part of the problem, not the solution. I shall vote against the motion.

6.2 pm

Austin Mitchell (Great Grimsby) (Lab): I shall join the hon. and long-winded Member for Stone (Mr Cash) in the Lobby tonight, because, whatever our Front Benchers say, there is enough lead in my pencil to realise that the proposals should be opposed, and that the Government's long-winded motion is unacceptable. The measures will impose additional obligations on the United Kingdom, but I shall not go into them, because my hon. Friend the Member for Nottingham East (Chris Leslie) made the main point. It is a question not so much of the obligations, but of the economic effects of the measures on European markets.

Even if, as the Minister said, the measures are enforced only on eurozone states, they will still have an economic effect on us, because when discipline is tightened in the eurozone, there is eurozone deflation. That is already in progress. It was built into the exchange rate mechanism, and it is now built into the euro, because Germany has abnormally low inflation. Germany has a marvellous

co-operative arrangement with the unions and with industry. It has heavy investment, powerful producers and abnormally low inflation, but because all the other eurozone states, which have customarily had higher inflation, wage inflation and costs, are involved in the same currency, they are forced to deflate to German levels. In other words, the euro is a deflationary mechanism that forces other nations down to the abnormally low rate of inflation in Germany, and that has consequences. They are all increasing unemployment, cutting public spending and deflating their economies, and therefore the demand for Germany's powerful exports falls.

Our exports are also affected. We now need a period of export-led growth, having not had that and having built up an enormous deficit in the European Economic Community. The 25% devaluation that we have experienced because of the previous Prime Minister's wisdom in keeping us out of the euro allows us to take the adjustments on the exchanges, which Greece and the other countries cannot do, but we are not getting the benefit of that because of the deflation in European markets. Deflation has been forced on Greece, Portugal, Italy, Spain and Ireland, which are all very seriously deflated. Demand in Europe is therefore cut, and it will be cut further if these measures are introduced. We need export-led growth and we are not getting it. That is my main argument; I will be very brief.

I am frightened that the Minister's approach, and the approach involved in the motion, means that on another issue we will fudge, not fight. Fudge is built into this Government because it is a coalition between the Liberal Democrats, who are Euro-daft, and my friends and allies the serried ranks on the Conservative Benches, whom I hope to join in the Lobby. There is a built-in tendency to fudge that we have already seen in the approach to the European budget, where without opposing, fighting or contesting it, we have agreed a 2.9% increase which will mean an increase of £440 million in our contribution to £7 billion next year. This country can ill afford that when we are cutting public services. I want to avoid the tendency to fudge that is built into this Government and to encourage them, by our votes tonight, instead to fight on these issues.

6.6 pm

Mr James Clappison (Hertsmere) (Con): Let me begin by congratulating my hon. Friend the Minister on his very full opening speech. I want to say a few words about one or two things that perhaps did not creep into his remarks.

I should like to pay a compliment to the President of the European Union; I suppose that he does not often get that in this place. The words in his report are very clear about what he was trying to do—to put in place a new mechanism. That is what he was charged with doing by the European Council, and that is indeed what he did. It will be no surprise that the President of the European Union should seek to discharge that duty by putting in place a whole raft of new measures giving new powers and responsibilities to the European Commission.

The Minister helpfully set out those new powers in the Government's explanatory memorandum. That makes it clear that the European Commission, whether we say that it has new responsibilities, new roles or new powers, is going to be very busy giving a good going over to this country's economic performance, reaching public judgments that could well have an effect on our economic reputation. It sets a scoreboard for how well the country is doing, and judges the country by that scoreboard. It carries out reviews and investigations and sends delegations, and if the country in question is not responding appropriately, the Commission has the power to recommend to the Council that that country be placed in the excessive imbalances procedure—something that I think the Minister did not have quite enough time to mention.

Whether one regards that as a sanction depends on an interesting choice of language. In my previous career as a member of the Bar, I never thought to console a prisoner who had just been sentenced to immediate custody by saying to him, "Well, at least you didn't get a fine." The excessive imbalances procedure could well be borne in mind by those who frame economic policy and wish to avoid such a consequence. Other Members will have far more experience of financial services and the markets than me, but I do not think that anybody in the markets would be dancing with glee at the news that the country was just about to be placed under such a procedure. This is all down to the very wide range of new responsibilities of the European Commission, which is being allocated a much more intrusive role by this document.

The alternative argument is that it is a good thing that this is happening; we heard shades of that from the Labour Front Bench. However, how much confidence can we place in the economic management and judgment of the European Commission, considering matters starting with its rather cavalier treatment of recommendations for the European budget in the current economic circumstances, and going all the way back to the fudged criteria for European economic and monetary union?

Even if one does have great confidence in the European Commission, there are bigger questions that should loom in all our minds. To whom is it accountable? Can we ask it questions? Can we hold it to account in this House, and whom does hold it to account? What can the man in the street, the voter, do if he is not happy with the economic criteria that it has fashioned for this country?

Ministers should be very careful indeed about the responsibilities that are allocated to the European Commission. I know that there is a choice of language and a judgment to be made, but after looking through the long list of new responsibilities that have been given to the Commission, I think we should be very careful. We have heard talk of surveillance and informal discussions, but Ministers should remember that not all that long ago, justice and home affairs, and the common foreign and security policy, were said to be matters on which Ministers would simply carry out informal discussions between themselves. It was said that they would never come within the purview of European institutions. Today, of course, justice and home affairs are very much within the grasp of European law makers and the European Union, and we now have a European Foreign Minister and a European diplomatic service. Not that long ago, those things were the subject of informal discussions.

We should be very careful indeed before setting foot down this path. We should consider the matter carefully this evening and face up to the enormity of the responsibilities that we are placing upon the European Commission.

6.11 pm

Michael Connarty (Linlithgow and East Falkirk) (Lab): First, I wish to put on record what we are supposed to be debating, because Members have wandered all over the place. We are debating a series of six documents sent to the Government by the European Scrutiny Committee, on which the Government have now taken a position. Four are about the stability and growth pact—our Committee reference numbers for them are 32036, 32043, 32044 and 32047. The other two relate to the excessive imbalances procedure—documents 32045 and 32046.

In the main, those documents make no difference whatever to procedures that the UK has to carry out. However, a lot of heat has been made about the fact that they affect other countries, and that if the conspiracy theory of the hon. Member for Hertsmere (Mr Clappison) is borne out, they may affect our Government, who will have to give up their fiscal veto. The same was said in the exchanges on the recent urgent question asked by the hon. Member for Stone (Mr Cash). However, we are quite clearly protected in the Lisbon treaty and do not have to go down that road.

The documents will not have any effect on us, because we are not a member of the eurozone. They can be read in detail, and Members will find that the coercive measures set out in them do not relate to anyone outside the eurozone. The Government's position is therefore to note the documents.

On 27 October, the Government made their position clear in response to the hon. Gentleman's urgent question. The Financial Secretary quoted the report of the taskforce on strengthening economic governance in the EU, which has been referred to today as though it were a conspiracy document. It states that

"strengthened enforcement measures need to be implemented for all EU Member States, except the UK as a consequence of protocol 15 of the Treaty".

That is quite clear. The hon. Gentleman reiterated that

"we will not agree to any changes to EU treaties that move more powers from this country to the EU. The UK's exemption from the sanctions proposal will be explicit, and there will be no shift of sovereignty from Westminster to Brussels." [*Official Report*, 27 October 2010; Vol. 517, c. 319.]

It is important that we are clear about what we are trying to do.

We should be sensible in our debates, and I say to Members to whom the EU is anathema, or who are Eurosceptic to a great degree, that they should not diminish what they have to say about important matters relating to the Government's position on the EU by arguing that somehow we are selling out if we do what is asked in document 32047, which is about the surveillance mechanism in the reporting regime. If we do not know what 26 of the 27 countries are doing in their budgets, we must agree on a proposal for everyone to put in information, so that both we and the Commission know what other Governments are doing. If we had done that we would have known how badly Greece's economy was faring when it was suddenly found not to be putting accurate figures in to the European Commission.

Mr Jenkin: Just for the convenience of the House, will the hon. Gentleman explain why the numbers of the documents that he has read out do not correspond with the numbers in the Government's motion, because those are the documents that we are scrutinising?

Michael Connarty: The Government use the nomenclature of the EC reference and I am giving the Committee reference. When people want to find things, it is much easier to look at what the European Scrutiny Committee does under its numbers than to try to find it in EU documentation. They are, in fact, the same documents.

There is a very good advert on television—"Calm down, dear, it's only an advert." To people who try to say that this motion is a major sell-out by the Government, I say, "Calm down, dear, it's only an information exchange." Frankly, if there is a vote tonight, I will be voting with the Government. I will not be voting for any of the absurd amendments that have been tabled. The Government are doing the right thing. I am not out to score points on behalf of my party against another party. Our relationship with the other 27 countries with which we do most of our trade is far too serious for that. We must not kid people. The hon. Member for Hertsmere, with whom I sit in the European Scrutiny Committee, did not complete his quote from paragraph 34, page 8 of the taskforce report, which said:

"taking into account the specificity of the euro area."

Paragraph 35 talks about the Commission conducting in-depth analysis and surveillance missions

"in liaison with the ECB for euro area…states."

It is quite clear that these documents are about the eurozone. I know that there are problems in the eurozone, but when signing up to the euro one takes on such responsibilities.

Mr Clappison *rose*

Michael Connarty: Given that we are trying to let people speak, I will not give way.

Let us be sensible. To give and exchange information is sensible, as is surveillance. Without any wish to criticise anyone in this or the previous Government, I say that when comments were being made about our imbalances, perhaps our Government should have listened, and then we would not be living in such straitened times.

6.17 pm

Mr Peter Lilley (Hitchin and Harpenden) (Con): The question that this House must face is this: do these measures and the possible treaty change that they presage constitute a threat to the sovereignty of this country or an opportunity for us to regain a little sovereignty? If the measures envisage a substantive transfer of sovereignty, restricting our fiscal and economic freedom, then the issue is clear: we should veto them or seek a full exemption from them. If the Government were to contemplate accepting them without a full exemption, there would have to be a referendum. Indeed, the very prospect of a referendum would be enough to gain us full exemption. My hon. Friends have concerns, which I fully understand and respect, that although limited to giving information and possibly signing up to targets that we could not be compelled to meet, these measures may be the thin end of a Trojan horse—if I may mix my metaphors.

We have seen in the past how wording that has been glossed over has led to the transfer of powers. So far, I am not persuaded that the measures and what is envisaged in the treaty changes would result in a substantial transfer of sovereignty. However, I shall listen closely,

and advise others to inspect thoroughly and scrutinise deeply. If at the end of the day we are signing up just to the sort of surveillance that we already receive from the IMF, that would not worry me too much. Indeed, then I would say to myself, "This is an opportunity." If the measures solely concern the members of the eurozone, but none the less require our assent before they can go ahead, we should say to them, "We will let you do to yourselves what you want. We will give you the necessary approval, if in return you let us do some things that we want to do, which won't concern you, by repatriating some powers."

We on the Conservative Benches were elected on a manifesto that said:

"We will work to bring back key powers over legal rights, criminal justice and social and employment legislation to the UK."

We have a target, and this is an opportunity, so we should seize it. However, we are, of course, a coalition Government, so we should seek modest returns of powers that are compatible with the objectives of the whole coalition. Liberal Members in the west country expressed their hope for a return of powers over fisheries; indeed, they stood at the election on it. Fisheries are not a big issue in my inland constituency, but I would be prepared to work with those Members for a return of powers.

However, the coalition agreement is quite specific. It says not only that we will

"ensure that there is no further transfer of sovereignty or powers over the course of the next Parliament,"

but that we will

"examine the balance of the EU's existing competences and will, in particular, work to limit the application of the Working Time Directive in the United Kingdom."

I therefore have a simple question for the Minister, which I hope he will answer in the affirmative in his winding-up speech. Will we be using this opportunity both to meet the objectives laid out clearly in the coalition agreement and, in return for our consent to such measures, to seek to limit the application of the working time directive to the United Kingdom?

6.22 pm

Kelvin Hopkins (Luton North) (Lab): I shall speak briefly, but it is important for the House to know that there are also Members on the Opposition Benches who will be voting against the Government motion, and on similar grounds to do with the implicit transfer of sovereignty in the Commission's initiative. I congratulate the Chair of the European Scrutiny Committee, the hon. Member for Stone (Mr Cash), on ensuring that the House is fully aware of the concern about such matters and on the fact that we are having this debate, as it is largely down to him.

There is serious confusion about the wording of the documents. The terms "all member states", "eurozone states" and "non-eurozone states except the UK" are used at different points throughout. It would be simpler if only the term "eurozone states" was used throughout, so that we could be absolutely clear that the provisions apply only to the eurozone states. In the first draft regulation—on the preventive arm of the stability and growth pact, as it is called—reference is made to all member states. In the second draft regulation—on what is known as the excessive deficit procedure—reference is made to all member states, but a little later it refers in two places to the eurozone. The third draft regulation talks about eurozone states. The two further regulations, on macro-economic imbalances, refer to member states—not "all member states"—or, alternatively, to eurozone member states, but right at the end there is a reference to non-eurozone member states except the UK. I want to be clear that the provisions apply to the eurozone, not to the United Kingdom, so that we can know precisely where we stand on sovereignty over our own economy.

Stephen Williams (Bristol West) (LD): I, too, had to read the documents several times before I began to understand what was being proposed, but is not the simple distinction that the information-sharing provisions apply to all EU member states, whereas the sanctions under the stability and growth pact apply only to eurozone members?

Kelvin Hopkins: The Minister himself said that any information about the economy that was needed could be found by Googling it, and there is also the Library note on economic indicators, which I use regularly. All the information is there—for example, in the Budget statements and so on—and we do not need to provide much more than that. There is masses of public information. We do not need to have it in regulations. It can be provided as a matter of course. We must put down a marker for the European Union saying that we will not go this far, and that we do not want changes that show political creep or gradual encroachment of the European Union into British sovereignty over our own economy, going beyond the treaties.

I agree with my hon. Friend the Member for Great Grimsby (Austin Mitchell) about the nonsense of the eurozone and the economic arrangements that it entails. There is a reference to "surveillance of macroeconomic imbalances", but the trade imbalance that I focused on earlier in the debate is serious. We have a massive trade deficit with the rest of the European Union, particularly Germany, which sustains a massive trade surplus. Will the European Union focus on that imbalance?

In 1944, Keynes said that countries running massive trade surpluses should be required to appreciate their currencies to bring them into line. Will that be suggested to Germany? That cannot happen because Germany is in the eurozone, and all those other countries that cannot compete and cannot inflate at a greater rate are having severe difficulties, which are becoming worse year by year. Will that imbalance be addressed? When it is, I will start to take the European Union a little more seriously on economic matters.

I have probably said enough. I intend to vote against the motion, and I hope that the Government will challenge the European Union to make the wording of its documentation right and acceptable to the United Kingdom.

Several hon. Members *rose*—

Mr Speaker: Order. I intend to call the Minister to wind up the debate no later than 6.31 pm, and I am sure that that will be borne in mind.

6.26 pm

Mr Douglas Carswell (Clacton) (Con): I shall be brief, and I shall vote against the motion. The House is being asked to endorse an agreement that would strengthen European Union economic governance. It is not in dispute that the new measures would give EU institutions, the Commission and the Council greater powers. What is in dispute is, first, the extent to which such changes would involve the United Kingdom, and whether the new arrangements would apply only to the 16 members of the eurozone, or to all 27 member states, including Britain.

The second point of contention is the extent to which Britain is now subject to EU oversight when we set our own Budget. Having gone to Brussels promising not to give away so much of our money, Ministers seem to have returned having given Brussels the right to have a say in how we spend the rest of our Budget.

No one was more heartened than I to hear the Prime Minister tell the House back in June that any new deal with the EU

"should not interfere with national competencies".

He also said:

"On budget surveillance, let me be clear: the UK Budget will be shown to this House first and not to the Commission…co-ordination and consultation, yes; clearance, no, never." —[*Official Report*, 21 June 2010; Vol. 512, c. 35.]

Such assurances were welcome, yet within a couple of weeks we heard Olli Rehn, the Economic and Monetary Policy Commissioner, spell out the details. He said:

"All member states would submit their fiscal programmes at the same time in April to allow the Council to issue country specific policy guidelines".

Is it any wonder that when the Chancellor appeared before the Treasury Select Committee he was able to reveal the date of the next Budget? It is now part of a timetable set in Brussels.

Ministers have claimed that the level of disclosure is nothing new, and that it is no more than what a think-tank might find out about UK fiscal policy via Google. Indeed, but think-tanks do not have the power to issue guidelines, and they cannot pass legislation on the basis of the analysis that they then make.

Ministers are keen to tell us that as a result of the new arrangements Britain would not at this time be subject to sanctions. To the best of my knowledge, no one is suggesting otherwise. The issue at stake is not whether the new EU regulations apply sanctions to the UK, but whether, from now on, the EU has the right to make laws on UK fiscal policy in the first place.

At his press conference on 17 June, the Prime Minister assured us that because we are outside the eurozone our opt-outs would be safeguarded. He talked of Van Rompuy's efforts to "strengthen Eurozone governance arrangements". He referred to the eurozone, not the EU. Since then, the talk has been not of eurozone economic governance arrangements, but of EU governance arrangements. Within a couple of weeks of the Prime Minister's assurances, talk shifted from measures that would affect just the 16 eurozone members to measures that would apply to all 27 member states, including Britain.

Angela Merkel made it clear that economic governance should apply to all EU states, not just the eurozone. Barroso declared with reference to economic governance:

"Europe must show it is more than 27 different national solutions".

He said 27, not 16. It is clear that his intention is that the new arrangements apply to the UK. Van Rompuy went out of his way to warn against creating what he called "dividing lines" between 27 member states and 16 eurozone countries. What were clear assurances to be welcomed and embraced in early summer had, by the onset of autumn, become dividing lines to be done away with.

Paragraph 34 of the Van Rompuy report states that there will be a new legal framework

"applying to all EU Member States".

Can the Minister explain what part of "all" excludes Britain? Regardless of paragraphs 35 and 39, or reference to protocol 15 of any treaty, such wording creates ambivalence at the very least. It suggests that EU institutions will now be able to legislate in areas of UK national competence in which they could not previously legislate. Has the precedent now been set? Is the field occupied? Is not the stage set for the day when some other Minister returns from Brussels to explain to the House how we have been sadly outvoted?

So who is right? Ministers who assure us, or Eurocrats who do not? How can we explain the differences between Ministers' assurances and what lies in the small print of what is before the House today? At best, this can be explained by sloppy drafting by officials, but if that is the case, why are we employing sloppy drafters to negotiate matters of such fundamental importance? Are those officials the ones on whom we will depend to turn the contents of the Van Rompuy report into the treaty changes? I cannot support the motion, as it will mean a further transfer of powers from this country to Brussels. I urge colleagues to oppose it.

6.30 pm

Mr Hoban: I have listened carefully to hon. Members' concerns tonight, and I want to state yet again that the proposals from the Van Rompuy taskforce strengthen an existing framework, crucially without encroaching on fiscal and economic sovereignty. There is much more work to be done on this, but let me assure my right hon. and hon. Friends that the Government are committed to securing the best outcome from the proposals, to defending Britain's interests and to protecting this Parliament's right to set and scrutinise our fiscal policy. Anything less would not be acceptable.

I shall deal with some of the issues that have been raised in the debate. Does the fact that the EU, along with other organisations, undertakes surveillance mean that we will be subject to sanctions? No, it does not. Does the measure mean that we will need to follow any of the recommendations made? No. Will we have to present our Budget to Europe before we present it to this House? No. Will we have to give the EU information that has not been presented to this House first? No. Will the provision of information erode our sovereignty? No. Perhaps more importantly, will any powers over our Budget be transferred from Westminster to Brussels? Again, no. I hope that I have been clear and explicit on those points, and it is for those reasons that I ask Members to support the motion tonight.

Question put.

The House divided: Ayes 296, Noes 40.

Division No. 115] **[6.32 pm**

AYES

Adams, Nigel
Aldous, Peter
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baldry, Tony
Baldwin, Harriett
Barker, Gregory
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bottomley, Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burns, Mr Simon
Burrowes, Mr David
Burstow, Paul
Burt, Alistair
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, rh Sir Menzies
Carmichael, Mr Alistair
Carmichael, Neil
Chishti, Rehman
Clark, rh Greg
Clarke, rh Mr Kenneth
Clegg, rh Mr Nick
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Crabb, Stephen
Crockart, Mike
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Durkan, Mark
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Flynn, Paul
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Gale, Mr Roger
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Graham, Richard
Grant, Mrs Helen
Grayling, rh Chris
Green, Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, rh Mr Charles
Kirby, Simon
Knight, rh Mr Greg
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Long, Naomi
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lucas, Caroline
Luff, Peter
Lumley, Karen
Macleod, Mary
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Paterson, rh Mr Owen
Pawsey, Mark
Penning, Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pugh, Dr John
Randall, rh Mr John
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soames, Nicholas
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh

Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Ayes:
Mr Brooks Newmark and Jeremy Wright

NOES

Baker, Steve
Binley, Mr Brian
Bridgen, Andrew
Campbell, Mr Ronnie
Carswell, Mr Douglas
Cash, Mr William
Chope, Mr Christopher
Clappison, Mr James
Corbyn, Jeremy
Cryer, John
Davies, Philip
Davis, rh Mr David
Dobson, rh Frank
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Drax, Richard
Godsiff, Mr Roger
Gray, Mr James
Henderson, Gordon
Hoey, Kate
Hollobone, Mr Philip
Hopkins, Kelvin
Lewis, Dr Julian
McCartney, Jason
McDonnell, John
Mitchell, Austin
Nuttall, Mr David
Paisley, Ian
Percy, Andrew
Raab, Mr Dominic
Redwood, rh Mr John
Shannon, Jim
Shepherd, Mr Richard
Simpson, David
Skinner, Mr Dennis
Stringer, Graham
Tapsell, Sir Peter
Turner, Mr Andrew
Vickers, Martin
Wood, Mike

Tellers for the Noes:
Mr Peter Bone and Mark Reckless

Question accordingly agreed to.

Resolved,

That this House takes note of European Union Documents (a) 9433/10, Commission Communication on reinforcing economic policy co-ordination, (b) 11807/10, Commission Communication on enhancing economic policy co-ordination for stability, growth and jobs – tools for stronger EU economic governance, (c) 14496/10, Proposal for a Council Regulation (EU) amending Regulation (EC) No. 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, (d) 14497/10, Proposal for a Council Directive on requirements for budgetary frameworks of the Member States, (e) 14498/10, Proposal for a Regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area, (f) 14512/10, Proposal for a Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area, (g) 14515/10, Proposal for a Regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances, and (h) 14520/10, Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No. 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies; notes the Report from the Task Force on Economic Governance in the European Union: notes with approval that budgetary and fiscal information will continue to be presented to Parliament before being given to EU institutions; and approves the Government's position, as endorsed by the Task Force that any sanctions proposed should not apply to the United Kingdom in consideration of Protocol 15 of the Treaty on the Functioning of the EU.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

FREEDOM OF INFORMATION

That, at this day's sitting, Standing Order No. 41A (Deferred divisions) shall not apply to the Motion in the name of Mark Hoban relating to European Union Economic Governance. —(*Mr Dunne.*)

Question agreed to.

HOUSE OF COMMONS MEMBERS' FUND (DISCRETIONARY PAYMENTS)

Motion made, and Question put forthwith (Order, 2 November, and Standing Order No. 118(6)),

That, pursuant to section 4(4) of the House of Commons Members' Fund Act 1948 and section 1(4) of the House of Commons Members' Fund Act 1957, in the year commencing 1 October 2010 there be appropriated for the purposes of section 4 of the House of Commons Members' Fund Act 1948:

(1) The whole of the sums deducted or set aside in that year under section 1(3) of the House of Commons Members' Fund Act 1939 from the salaries of Members of the House of Commons; and

(2) The whole of the Treasury contribution to the Fund in that year. —(*Mr Dunne.*)

Question agreed to.

PETITION

Factory Farming

6.48 pm

Mr Jim Cunningham (Coventry South) (Lab): The petition states:

The Petition of residents of the Coventry South constituency,

Declares that the Petitioners believe that animals in British factory farms are pumped full of protein to speed up their growth; notes that soy is a major source of protein; further notes that, in order to produce enough protein, precious habitats like rainforests are cleared in South America to make way for vast soy plantations; and further declares that this increases climate changing gases in the atmosphere, damages the Earth's free life-support systems, which provide us with clean water, healthy soil and air to breathe, forces small farmers off their land, making them unable to grow food for their families, and fails UK farmers, leaving them vulnerable to fluctuating commodity prices.

The Petitioners therefore request that the House of Commons urges the Government to take steps to shift subsidies away from factory farming, to support farmers to grow their own animal feed and to ensure supermarkets offer fair deals to everyone.

And the Petitioners remain, etc.

[P000866]

BBC Funding (CSR)

Motion made, and Question proposed, That this House do now adjourn.—(Mr Dunne.)

6.49 pm

Ian Murray (Edinburgh South) (Lab): Mr Deputy Speaker, all day long colleagues have been tempting me to say, "Nice to see you, to see you—"

Dr Thérèse Coffey (Suffolk Coastal) (Con): Nice!

Ian Murray: I thank the hon. Lady for that sedentary intervention.

Ever since the BBC's inception in 1922, it has played a major role in this country. The public not only admire the BBC; they trust the corporation to deliver real value and quality while they watch and listen to its channels or, more recently, surf its online content. Indeed, the quality of the BBC output could only be improved by you, Mr Deputy Speaker, appearing as the guest presenter on "Have I Got News For You" or by light-footed former Conservative Members appearing on "Strictly Come Dancing."

We must, however, protect what the BBC provides and how it is paid for. The licence fee enables our national public-sector broadcaster to provide 10 TV channels, 10 UK-wide network radio stations, 46 national and local radio services, regional options, interactive services on BBC iPlayer, and high definition television, as well as the ever-popular BBC websites which attract 22 million unique users in the UK every week. On top of all that output, the BBC is the engine room of the country's hugely important creative industries.

Let us consider the value of the licence fee. It costs about 40p per day, which is less than half the cost of many daily newspapers and about the same as the price of a pint of milk or a first-class stamp. It costs less than the price of half a loaf of bread, 20 times less than the average cinema ticket, and a 25th of the cost of joining the Liberal Democrats. The licence fee also enables the BBC to invest in the UK as a whole, with a commitment to 50% of network production coming from outside London by 2016 as well as a commitment to the BBC regions in Scotland, Wales and Northern Ireland.

Most importantly, the BBC delivers a significant contribution to the creative industries and the UK economy. Britain's creative sector, which accounts for about 6% of the UK's GDP, can make a significant contribution to economic growth and employment. Having grown at a faster rate than the general economy in recent years, the creative industries are now expected to grow by 4% on average in the next five years. The beneficial impact of the BBC to that is some £7.6 billion a year, including more than £150 million through BBC Worldwide.

Robert Halfon (Harlow) (Con): I congratulate the hon. Gentleman on securing this important debate. He has made the case for the licence fee, and there is obviously a case for it, but does he not agree that the big problem with it is that no licence fee payer has a say in how the BBC is run? We need to democratise the licence fee and give licence fee payers the vote, at least in respect of the board and trust and the BBC's direction.

Ian Murray: I think the BBC has a lot to learn on those principles. However, I will talk shortly about what the Government have done by not including licence fee payers in the comprehensive spending review and the future of the BBC.

The BBC is a globally respected brand, which is why the House should be concerned for its future, and it has been described as a national treasure, which is why Labour Members will always stand up for it as a friend, although a critical friend. I must state clearly at the outset that the BBC should not be immune from reform or cuts at a time when we are all supposed to be in this together, but that reform process has to be done through negotiation and with respect for what the BBC delivers and the people—its staff—who deliver the service on behalf of us all.

The outcome for the BBC from the CSR has shown contempt for the corporation, and the opportunity has been lost truly to change the organisation in the context of a new digital age, changing and fast-moving markets and, significantly, shrinking budgets across the sector in programme making.

The BBC also has a responsibility to consolidate its own activities within the continual pursuit of excellence alongside an honest examination of the role of both the BBC and, more importantly, public sector broadcasting. The final settlement for the BBC through the comprehensive spending review is yet another example of the Government's undue haste. We have seen that with the dangerous too-deep, too-soon, too-quick cuts that will harm jobs, harm growth and threaten the already fragile UK economy.

The CSR deal for the BBC was put together in 72 hours. It was a dubious deal, with Ministers embarking on a strategy to intimidate the BBC into accepting whatever came its way. Why? Because the outrageous proposal that the BBC take responsibility for free TV licences for the over-75s hung over it like a guillotine. What would be next? The licence fee paying for the winter fuel allowance, child benefit or perhaps even the Prime Minister's new personal photographer?

That threat ensured that the BBC would grab the deal given to it through the CSR quickly and with both hands. Let us look at the settlement it was given. It includes a freeze in the licence fee for the remainder of the charter period and the BBC taking on funding for the BBC World Service, BBC Monitoring and the Welsh language channel S4C. In addition, the BBC will be supporting the Secretary of State's pet project, the new City TV, through a £25 million ring-fenced partnership fund. It will also be given responsibility for delivering broadband services. All in all, there is a £340 million bill alongside a 16% real-terms reduction in licence fee income over the period.

This "delicious" deal, as the Prime Minister described it, was so hastily contrived that it prevented proper consultation and debate with licence payers, stakeholders and, most importantly, BBC staff themselves to the extent that we are left with no real way of knowing the true impact on the BBC. Will it affect the quality of programming? Will it mean the BBC stopping services? Will it mean significant job cuts? Will it damage the independence of the BBC and the BBC World Service? Will the board of S4C take the Government to court, due to it not being consulted about its funding being transferred to the BBC?

[Ian Murray]

Conversely, this rushed deal has also restricted the opportunity to keep the pressure on the BBC to continue on its programme of reform in terms of bureaucracy and excessive executive pay.

Graeme Morrice (Livingston) (Lab): I am grateful to my hon. Friend for giving way. Has he, like me, received many representations from constituents arguing against any freezing of, or indeed cuts in, the licence fee and supporting its retention so that a quality service can continue to be provided by the BBC?

Ian Murray: I welcome the intervention from my hon. Friend, who raises an important point. Many Members, I am sure, will have received dozens, if not hundreds, of e-mails, letters and telephone calls from people who are concerned about the BBC, cuts to it and what it delivers. Constituents have raised that point with me on numerous occasions.

To go back to the missed opportunity, the BBC was entering into a new culture of transparency and accountability—a programme that was, on its own measurement, to save £2 billion by 2014. I want to ask the Minister some questions about the future of the BBC. Is this deal on top of the BBC's current strategy to save £2 billion by 2014? What criteria will be applied to where the cuts will fall? Will there be job losses and a reduction in quality? What impact will the cuts have on the move to the media city in Salford and the programming being transferred to the regions—50% by 2016, I think? Who is now responsible for the roll-out of broadband—the Department for Culture, Media and Sport, the Department for Business, Innovation and Skills or indeed the BBC? What will the future hold for the BBC World Service? What budget protection will the World Service have? Will that critical service have to compete with other parts of the BBC budget in due course?

Anna Soubry (Broxtowe) (Con): Is not the real problem with the BBC the fact that it has expanded into areas that it should not have expanded into, and that it has lost sight of the fact that it is a maker and broadcaster of programmes? In moving into websites, it is taking away from other websites. Most importantly, it is taking away the ability of people to work in print journalism. It is really threatening newspapers and other websites.

Ian Murray: I appreciate that intervention, but the BBC has been involved in a programme of reform of what it supplies on the website. The list of duties that has been placed on the BBC by the comprehensive spending review has given it more responsibility, not less. It is the opposite idea to that which has been given by the—

7 pm

Motion lapsed (Standing Order No. 9(7)).

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Dunne.)*

Ian Murray: I will get used to the procedures in this Chamber, I am sure, Mr Deputy Speaker.

On the World Service, will the BBC have budget protection or will the World Service have to compete with other parts of the BBC budget in due course? What role will the Foreign Secretary have in that process? The Secretary of State mentioned that the BBC would have to seek the Foreign Secretary's approval for World Service closures. The fact that the word "closure" is used must concern staff and lovers of the service. Furthermore, the BBC World Service is well regarded as the best international diplomacy and peacekeeping device that the UK has—more effective, indeed, than the UN or any military might.

Indeed, if you will indulge me, Mr Deputy Speaker, the BBC World Service won several awards just last night, demonstrating the distinctive programming that it can provide. At the Association for International Broadcasting awards, the BBC World Service won the best current affairs documentary on radio award and the best single news event radio award for its "Connexion Haiti" team and a drama award for the best creative feature on radio for "The Day that Lehman Died". That shows that listeners the world over appreciate the role of the World Service.

Will the Minister tell the House what the future is for S4C, given that the Secretary of State recently wrote to the chair of the BBC Trust stating that

"if the new partnership model between S4C and the BBC proves unviable...the BBC contribution required for S4C will be taken from the licence fee"?

I read that to mean that S4C could potentially be closed if it becomes unviable. Crucially, how will licence payers, BBC staff and stakeholders be consulted in that process?

If the economic situation changes, will the Government assure the House that the Government do not reserve the right to go back to the BBC licence fee issue in the course of this licence charter period? If the Secretary of State cannot answer those questions this evening, will he be willing to provide me with a written answer to those points?

The comprehensive spending review reduced the BBC to the status of just another arm of government where the veil of deficit was used to disguise rash decisions free of proper scrutiny or credible analysis, leaving the question of where the axe will fall. We have seen the response of the public to decisions on axing BBC services—we need merely look back to earlier this year, with the campaigns to save the Asian Network and 6 Music. Those services were seen by many as benchmarks of diversity, equality and innovation in public sector broadcasting.

There has been no statement in the House on the issues to do with the comprehensive spending review and the BBC. I respectfully ask the Government to provide space in their time for proper debate on and analysis of the consequences of the CSR, the future of the BBC and the future of public sector broadcasting in the UK. This situation shows the Government's attitude towards the BBC. The "delicious" cuts comment by the Prime Minister was, as he later admitted, "ill conceived" and disrespectful to the BBC and showed a callous disregard for the potential job losses at the corporation akin to the Government's ideologically driven 1 million cuts through the CSR in general.

The future of the BBC is a matter of significant public interest. Opposition Members will stand up for the BBC, for what it provides for the cultural make-up of this country and for the contribution it makes to the UK economy. It projects the best of the UK abroad and is undoubtedly a national treasure that is well loved, respected and should be protected for the future at all costs.

7.4 pm

Graham Jones (Hyndburn) (Lab): I congratulate my hon. Friend the Member for Edinburgh South (Ian Murray) on securing this vital debate. We all recognise the role of the BBC in the world. The then shadow Foreign Secretary, my right hon. Friend the Member for South Shields (David Miliband), said that the World service is an independent

"credible voice in parts of the world where the only other messages blend threats and propaganda".

That is quite true. I echo those worlds and support the World Service, which is a vital service.

The changes being made following the comprehensive spending review raise serious concerns about the future of the BBC World Service and about the BBC's ability to continue providing a public broadcast service that is informative and represents value for money. Transferring budgetary responsibility from the Foreign and Commonwealth Office or the Treasury to the BBC opens the door to editorial cuts. There has been concern recently that the BBC World Service could be forced to pull out of certain countries, which would be a tragedy given the turbulence in Burma and Iran. I know that the BBC has reinstated its World Service in those areas, but we do not want future cuts to compromise Britain's interests.

I recognise that the BBC, as a publicly funded body, is obliged to consider its expenditure and whether savings can be made, but that cannot be at the expense of a public service that is valuable at home and abroad. The BBC World Service is one of Britain's most effective and vital assets and we should protect and promote it. We should not reduce our investment in international broadcasting. The National Union of Journalists has said it will fight any proposed cuts, adding that the BBC World Service is a "clear success story". The cuts represent a threat that we can ill afford to that vital service and to jobs. We have to think of the BBC as a world employer because it does not operate only in the UK.

I am a passionate defender of the organisation and I believe not only in retaining the licence fee but in extending the BBC as a British institution. I have experienced television in many countries, most notably in the USA where freedom and open markets have resulted in massively dumbed-down television and a race to the bottom, with programmes between adverts. The quality of BBC broadcasting provides a high water mark for others to match and raises the bar of programme quality. The BBC leads the world in quality, innovation and impartiality.

Steve Rotheram (Liverpool, Walton) (Lab): Does my hon. Friend agree that the BBC is the envy of broadcasting institutions the world over and that we parliamentarians, who are being broadcast live as we speak, should be very proud of it?

Graham Jones: My hon. Friend is quite right: the BBC is the envy of the world and is a good business that we should promote. We should see it in that way rather than as a drain on public resources. It is one of the last great vestiges of British influence abroad. BBC online and BBC news provide the world with a British perspective and a brand that should be protected at all costs. A commercial, or part-commercially dependent, BBC would need to survive from advertising revenue and would have to focus on mass-market universal appeal, but that market is filled by ITV, Sky and Channel Five domestically. That would involve, in short, a dumbed-down, broadest-appeal schedule. I cannot support anything that undermines the BBC and I congratulate my hon. Friend the Member for Edinburgh South again on securing the debate.

7.8 pm

Dr Thérèse Coffey (Suffolk Coastal) (Con): I, too, congratulate the hon. Member for Edinburgh South (Ian Murray) on securing the debate. Let me declare an interest: I worked for the BBC before coming to Parliament and I am still engaged in a financial transaction with it. That aside, I want to pay tribute to the Secretary of State for Culture, Media and Sport for the role he has played in working with the BBC, as well as to the Minister answering the debate, the Under-Secretary of State for Culture, Olympics, Media and Sport, my hon. Friend the for Wantage (Mr Vaizey).

I am a passionate defender of the BBC and I value what it brings to our country and our worldwide reputation. I have heard the points in favour of the World Service and similar services, and I want to give some assurances. I appreciate that a little knowledge is a dangerous thing, but I believe that the BBC can perfectly well survive on the comprehensive spending review settlement of a frozen licence fee for the next few years. It has made a good start with the executive board deciding to slim down. That is good news and will help the BBC to continue to be a dynamic organisation. It has tackled the difficult pension dispute, although I must admit that if I still worked there, I would have bridled at the original pension deal. It has now come up with a sensible solution and I hope that the NUJ will eventually recognise that.

The BBC still has a lot to offer our country, not only through programmes such as "Strictly Come Dancing", with a former Member of the House doing rather well, but by continuing to provide excellent programmes of which we can be genuinely proud and that are sold around the world through BBC Worldwide. The BBC now recognises that its role is not to go off and buy things like the "Lonely Planet" guide—it will not do anything like that again—but to make use of the licence fee to subsidise programmes going forward.

Ian Murray: The hon. Lady has mentioned examples of the BBC slimming down, to use her words. The BBC was already undertaking such a programme, and the comprehensive spending review settlement may have taken its eye off the ball. Will she comment on that?

Dr Coffey: I do not work there any more, so I cannot give a personal comment on that, but the settlement concentrates the mind. I know that when I was there and we were talking in staff meetings, scenario planning was going on—for example, if there was a 20% cut, or a freeze—and there was genuine debate about what that would mean for the BBC in future. The settlement will force the board to think through what it is trying to achieve, what makes the BBC special, what it has to do and what it is nice to do. I welcome that journey because we also have to do in government—let us be honest about it—when we are trying to ensure that we live within our means.

Anas Sarwar (Glasgow Central) (Lab): Will the hon. Lady give way?

Dr Coffey: I can speak for only two minutes, so I will carry on, if the hon. Gentleman will forgive me.

The hon. Member for Edinburgh South asked what the BBC licence fee would pay for in future. Let us remember that a certain part of the licence fee was hypothecated for the digital switchover. The success of various schemes has meant that that part of the licence fee now does not need to be used; it might be said that it is being used only for broadband. However, YouView, which is coming, will be one of the game-changing things that the BBC delivers to this country, in conjunction with its media partners, and broadband is required to deliver that. It is right that the BBC is involved in the provision of broadband to the country. That is a rather good use of the licence fee.

Given that I was an unexpected participant in the debate tonight, I will not continue further. The BBC is safe in the Government's hands through its relationship with the Secretary of State. A large amount of reconciliation goes on between the World Service and the BBC to make sure that each part does not subsidise the other. That is wasteful work, and those costs will not have to be borne any more, so they can go into protecting the overseas bureaux. There are opportunities for economies, and I know that the board is working hard on them.

I am confident that the Government, with the Minister and the Secretary of State, will continue to have a fruitful partnership. I look forward to the next debate when we discuss the future governance of the BBC. I have been delighted to participate in the debate and I wish all my former colleagues at the BBC well.

7.12 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (Mr Edward Vaizey): I am grateful for the chance to respond to this important debate. I congratulate the hon. Member for Edinburgh South (Ian Murray) on securing it and on making such an eloquent speech setting out his views and support for the BBC, as well as his concerns for its future.

I thank the hon. Member for Hyndburn (Graham Jones) and my hon. Friend the Member for Suffolk Coastal (Dr Coffey) for their excellent contributions, with the hon. Member for Hyndburn focusing on the importance and value to him of the BBC World Service, and my hon. Friend bringing to bear her experience as an insider who has worked in the organisation. I was pleased to hear from a former BBC employee about her confidence in the BBC's ability to continue to move forward on the basis of the superb licence fee settlement.

Anas Sarwar: The Minister speaks of a superb settlement. The BBC is one of the largest employers in my constituency in Glasgow. Does he accept that as a result of the decisions taken in the comprehensive spending review, there will be job losses in the city of Glasgow?

Mr Vaizey: The BBC has already significantly slimmed down. Job losses or future jobs will be a matter for it. The debate has been suitably non-partisan. I hate to bring it down a level or two, but I am always pleased to hear from Opposition Members about their conversion to supporters of the BBC. For those of us who remember the previous Government hounding out the BBC's chairman and director-general over the David Kelly and Andrew Gilligan affair, such conversions always ring ever so slightly hollow. That was the greatest crisis of BBC independence in living memory, so it is worth remembering that it is not always bad news with the Conservatives. Other Governments have behaved very badly indeed towards the BBC, in my view.

However, I want to put on the record this Government's strong support for the BBC—a complete commitment to the independence of the corporation, which, as the hon. Member for Edinburgh South said, has formed the cornerstone not only of public service broadcasting in this country, but of the success of our creative industries. I never tire of pointing out that many of our successful independent production companies and, indeed, other companies in the creative industries are often filled with people who received their training from the BBC.

The BBC is not set in aspic; it remains a dynamic and forward-looking organisation. Not only is it one of the most respected broadcasters in the world, but it continues to innovate with the BBC iPlayer; YouView, a consortium in which the corporation is the cornerstone partner; BBC Worldwide, which has taken the BBC all around the globe; and even the pioneering archive and digital archive work being taken forward by Tony Ageh, which we all admire. We also fully respect, of course, the BBC's editorial and operational independence.

Graham Jones: Does the Minister approve of BBC World Service television and its commercial success? Does he think that it should be expanded as a business, or that the service should be reduced because it is not what the BBC is about?

Mr Vaizey: BBC Worldwide, which has a superb chief executive in John Smith, who really has transformed that organisation, occasionally causes controversy in the House. Its business is to maximise the value of the BBC's assets, and it does so very well, but we in the House and individual politicians take views, such as on the purchase of Lonely Planet, and, as I shall say at the end of my speech, the BBC Trust has made it clear that it wants the BBC to divest itself of its magazine business, because it is very important that it leaves room for commercial operators to make a living in the media. One of the great ironies is that the BBC is so successful that it can often easily squash its competition.

Charlie Elphicke (Dover) (Con) *rose—*

Graham Jones *rose—*

Mr Vaizey: I shall take an intervention from my hon. Friend, who has not yet spoken.

Charlie Elphicke: We have heard much about the excellence of the BBC, but does my hon. Friend agree that we should also pay tribute to the excellence of ITV and of BSkyB? They have outstandingly good output, too, and it is important to ensure that the BBC's state subsidy does not crowd them out.

Mr Vaizey: I absolutely accept my hon. Friend's point, and I congratulate him on his excellent work to try to secure the future of Dover port, working with Dame Vera Lynn, who broadcast her great songs that

lifted the morale of British troops during the second world war via the BBC. I also pay tribute to the many successful media companies that operate in the United Kingdom.

The hon. Member for Edinburgh South was concerned about the speed of our negotiations. I was slightly surprised by that, because I read in his biography that he used to work for an organisation called 100mph Events. I thought that he was a man who felt the need for speed, but now he wants to be in the slow lane. A year-long negotiation of the licence fee would have taken the BBC's eye off the ball in respect of running a successful media organisation, and there would have been a year of sniping from the BBC's competitors, with people calling into question the licence fee and so on.

Graham Jones: The Minister and other Government Members have mentioned crowding out, but is it not the case that *The Times* and *The Sunday Times* have a paid-for service that is beginning to wipe its face? If the BBC were impinging on the profits of the online print industry, would *The Times* and *The Sunday Times* be able to wipe their face with that paid-for service? It seems to be quite successful, and there does not seem to be any evidence of crowding out. Does he accept that point?

Mr Vaizey: I suggest that the hon. Gentleman talks to those at *The Guardian*, as it is they who usually complain about the BBC crowding them out. The *Guardian* website remains free, and they claim that one of the difficulties they are finding with monetising its website is the presence of the BBC.

The agreed settlement that we reached with the BBC is a good deal for all parties that reflects the current economic environment. Most importantly, of course, it is an excellent deal for licence fee payers, delivering a freeze in cash terms in the £145.50 colour licence fee for the next six years. I was interested to hear the hon. Member for Livingston (Graeme Morrice) suggest that many of his constituents are writing in, wanting to pay more for the licence fee. I am not sure that that view is held nationwide.

Julie Hilling (Bolton West) (Lab): I am concerned that a freeze for four years in fact represents a year-on-year cut, particularly when inflation is predicted to rise much higher than was expected, and with VAT increases coming in as well. Does the Minister agree that more than the initial cuts will need to be made because of the budget restrictions, but we will then face year-on-year cuts in the BBC that reduce its services and its ability to be the wonderful broadcaster that it currently is?

Mr Vaizey: As I say, the BBC will have to find savings; I shall come to that in a moment. It is important for Labour Members to make their position clear. If they think that the BBC licence fee should be increased, they should say so, and they should state the level at which they think it should be set.

The current licence fee settlement remains at £145.50. It is important to remember that for the first year this was volunteered by the BBC and the BBC Trust, and it was likely to be volunteered for the second year, and then we negotiated a freeze for the four years after that until March 2017. Within that settlement, as the hon. Member for Edinburgh South pointed out, the BBC has agreed to play an active role in supporting new local television services through a partnership fund providing capital costs of up to a total of £25 million in 2013-14 for up to 20 local TV services—city TV stations to provide truly local content rather than the regional content people have at the moment. The BBC will also commit to ongoing funding of up to £5 million per year from 2014-15 to acquire content for use on its own services from these new services. Should capital costs be required earlier, this will be facilitated by access to the existing digital switchover underspend by mutual agreement.

Robert Halfon: Does my hon. Friend agree that this is not just about the level of the licence fee but the fact that licence fee payers have no real say over what goes on in the BBC, whether it is salaries, the make-up of the BBC Trust, or the number of stations? The answer, surely, is to democratise the licence fee by giving licence fee payers a vote.

Mr Vaizey: My hon. Friend is a pioneer in this House. He is already proposing and taking forward an internet bill of rights, which has enlivened the blogosphere, and he has radical proposals for the democratisation of the BBC. Given his campaigning record, I will leave him to take those forward.

The BBC World Service will now become part of the licence fee-funded BBC from 2014-15, but the BBC will remain independent in all matters concerning the content of World Service output as regards times and the manner in which it is supplied and the management of its affairs. The BBC's editorial guidelines, values and standards will be set by the BBC Trust and will continue to apply to the BBC World Service. The BBC will continue, as now, to set the objectives, priorities and targets for the BBC World Service with the Foreign Secretary, and will obtain written approval from the Foreign Secretary for the opening or closure of any language service. The BBC will also assume responsibility for funding BBC Monitoring from 2013-14.

The hon. Gentleman asked about S4C. The BBC has undertaken to provide the majority of funding to the Welsh language service, S4C, from April 2013. We in the Government remain absolutely committed to a strong and independent Welsh language TV service, which was of course set up under the last Conservative Government.

Charlie Elphicke: Opposition Members are arguing for an increase in the licence fee. *[Interruption.]* They are as far as I can tell—they say that they have received representations to that effect. In my experience a lot of older people, particularly those who get by on their pensions, have trouble affording the current licence fee. Can anything more be done to help people in that position, and should the BBC take a greater role in funding such help?

Mr Vaizey: My hon. Friend makes an interesting point in his forensic intervention, which secured an immediate U-turn from Opposition Members on a licence fee increase. Perhaps he and I should talk later about what further help can be given to the elderly, but I would say that freezing the licence free is substantial recognition of people's difficulty in paying it.

The Government have put forward a new partnership model between the BBC Trust and S4C as the best way

[Mr Vaizey]

of securing the latter's future. Under that model, funding for S4C will come from three sources in future: the licence fee, a continued subvention from the Government and commercial income. The BBC will contribute £76.3 million to S4C in 2013-14 and £76 million in 2014-15. The Government will contribute £6.7 million and £7 million respectively. The service will be operated by a joint management board, with a majority of independent directors appointed by the BBC Trust.

I am aware that I am running out of time, but I wish briefly to mention broadband. The current ring-fenced funding for digital switchover of approximately £133 million per annum will be raised to, and capped at, £150 million per annum to fund broadband. It is important to say that the switchover money was never part of the licence fee funding for the BBC, so in effect the £150 million a year broadband money simply continues an arrangement made under the last Government whereby part of the licence fee is used for what could broadly be called "digital switchover". When one talks about the BBC taking on £344 million of extra liabilities, one is really talking about only £200 million.

Graeme Morrice: The point that I was trying to make earlier was that I and other Members have received numerous representations from constituents expressing concern about the freezing of the licence fee for the next four years, because in effect it will mean a real-terms cut. People are concerned about a reduction in the quality of the service. The hon. Member for Harlow (Robert Halfon) made a point about democratisation. What consultation has there been with the licence fee payer about that real-terms cut?

Mr Vaizey: As I have said, we felt that there was a meeting of minds between us and the BBC, and that it was best to get on with it rather than detain the BBC for a year in negotiating the licence fee.

We welcome the BBC's plans to enhance its national DAB coverage, although we remain in discussions with it about its obligations as regards local DAB. I hope that we can take forward developments on local DAB coverage with the BBC and the commercial radio sector.

Outside the formal licence fee agreement, the BBC has also made assurances to the Government about the scale and scope of its future activities in three areas. First, the BBC Trust has assured us that it considers it desirable to dispose substantially of BBC Worldwide's magazine business. Secondly, the trust recognises the principle that the BBC should not launch services that are more local than its current offerings on radio, the web and television, to give our local newspapers a chance to survive and thrive. Thirdly, it has assured the Government that it will pursue a 25% reduction in the budget of BBC Online, which will please *The Guardian*. I hope that those assurances from the BBC will be viewed in a positive light by those who have expressed concerns about its income—sorry, impact—on the market. That was a Freudian slip.

I end by reiterating the Government's full commitment to the BBC's independence. We regard it as a fantastic organisation and a beacon of excellence in Britain. I thank the hon. Member for Edinburgh South for securing the debate. In my opening remarks, I forgot to thank him especially for one of the reasons he will now remain my favourite Labour MP—during his speech, he promoted me from Under-Secretary to Secretary of State. For that I will always remain grateful.

Question put and agreed to.

7.29 pm

House adjourned.

House of Commons

Thursday 11 November 2010

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Mr Speaker: I remind the House that two minutes' silence will be observed in the Chamber at 11 o'clock this morning.

Oral Answers to Questions

ENERGY AND CLIMATE CHANGE

The Secretary of State was asked—

Feed-in Tariffs

1. **Charlie Elphicke** (Dover) (Con): What plans he has for the future of feed-in tariffs for small-scale renewables; and if he will make a statement. [23141]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): Before answering that question, I should like to offer the apologies of the Secretary of State to you, Mr Speaker, and to the House. He is unable to attend today's departmental questions, as he is still travelling back from China at the conclusion of the Prime Minister's highly successful visit. However, the Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Wealden (Charles Hendry), and I will do our best to field questions from the House. We would both like to welcome the new team to their places on the Opposition Front Bench.

In respect of question 1, as confirmed in last month's spending review, the coalition is fully committed to feed-in tariffs for small-scale renewables. We want an ambitious roll-out of a range of decentralised domestic and community-scale technologies, and to maximise the scheme's value for money, particularly in the current fiscal climate.

Specifically, we have said that when we review the scheme in 2012, we will reduce projected costs by 2014-15 by at least £40 million. Only in the event of deployment running ahead of published projections would we bring forward that review. But, to reassure the industry further, we will announce the trigger for such an early review shortly.

Charlie Elphicke: Many businesses say that too few people know how feed-in tariffs can help them save money and the planet at the same time. What steps can Ministers take to build feed-in tariffs up to a substantial market scale?

Gregory Barker: We are very keen to encourage businesses, communities and, of course, home owners to engage in the decentralised energy revolution, and to that end I am very pleased to tell my hon. Friend that we will shortly publish a new online initiative, giving a whole lot of detail to communities and businesses in order to allow them to access financial incentives and to cut through regulation.

Albert Owen (Ynys Môn) (Lab): Many peripheral areas such as my constituency cannot benefit from feed-in tariffs because they simply have the wrong transmission lines and infrastructure. Can the Minister assure me that, in the future, when there is a universal roll-out of feed-in tariffs, areas such as mine will not be hit by disproportionate costs because the infrastructure is lacking?

Gregory Barker: Absolutely. I am sorry to hear that the hon. Gentleman thinks that his constituency is behind, and I shall be very happy to look into the specific case in his area. If he would like to write to me with specific issues, I shall ensure that my officials look into them, because we are committed to a national roll-out of this exciting technology.

Malcolm Bruce (Gordon) (LD): What discussions is the Department having with financial institutions to ensure not only that access to feed-in tariffs is available to people on low incomes, who cannot borrow money at competitive rates in order to benefit, but that, if it really is a national programme, low-income people will fully benefit from it?

Gregory Barker: Feed-in tariffs are available to everybody, regardless of income, and there are some innovative market solutions and offers that allow people to access those technologies without needing any up-front capital. However, it is up to the market to bring forward such solutions, and for Government to create the environment in which the market can do so.

Huw Irranca-Davies (Ogmore) (Lab): The influence of the Secretary of State's visit to China has already been evidenced this week, as the Department for Energy and Climate Change announced its five-year plan to coincide with the fourth five-year plan of the People's Republic of China. We are all state planners now.

In respect of small-scale renewables and feed-in tariffs, I note that solar power did not receive a single mention—not a single word—in DECC's five-year plan, so will the Minister now admit that, on his watch, feed-in tariffs will be withdrawn from photovoltaics? What does he say to the pioneers and early adopters of that technology now that the sun is going down on photovoltaics?

Gregory Barker: I am very sorry that the hon. Gentleman should commence his career on the Opposition Front Bench shadowing this Department with a completely false scare story. It is completely untrue. We are absolutely committed to solar PV and to the widest range of domestic and community-scale renewables, but the fact is that we inherited a system that simply failed to anticipate industrial-scale, stand-alone, greenfield solar, and, although we will not act retrospectively, large field-based developments should not be allowed to distort the available funding for roof-based PV, other PV and other types of renewables.

Warm Front Scheme

2. **Caroline Lucas** (Brighton, Pavilion) (Green): What changes he proposes to make to the Warm Front scheme to ensure that it meets the needs of vulnerable fuel-poor households. [23142]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): As announced in the spending review, DECC will fund a smaller, more targeted Warm Front scheme over the next two years as we transition to the full roll-out of the green deal, with its energy company obligation. We will shortly be consulting on the proposed changes to Warm Front to ensure that the eligibility criteria reflect the coalition's determination to focus on the most vulnerable households.

Caroline Lucas: Warm Front funding is to be reduced from £345 million to £110 million by next year—that is a 68% cut. The Government's plans to try to bridge the gap are likely to be funded through a levy on consumer bills, but that does not take into account the fact that this perversely hits the fuel poor hardest. What account has the Secretary of State taken of the Government's own figures, which estimate that although options such as an extension of CERT—the carbon emissions reduction target—might take between 21,000 and 31,000 households out of fuel poverty, the impact via increased fuel bills is that it results in 70,000 to 150,000 households being put into fuel poverty?

Gregory Barker: The coalition is very mindful of the impact of all levies on domestic fuel bills. That is why, in the comprehensive spending review, we decided, for example, not to go forward with plans to fund RHI—the renewable heat incentive—on the basis of a levy, but to fund it out of general taxation. However, I can assure the hon. Lady that we look overall at the benefits for the fuel poor that will accrue from access to the green deal, feed-in tariffs and social price support, as well as continuing support for Warm Front for the next two years. Taken together, this holistic approach will ensure that we continue to make progress against fuel poverty.

Andrew Bridgen (North West Leicestershire) (Con): Considering the previous Government's abject failure to tackle rural fuel poverty, will my hon. Friend tell me what we are going to do differently?

Gregory Barker: We are looking very carefully to ensure that our proposals for the RHI and social price support particularly take into account the needs of off-grid customers and the fuel poor. The green deal will take particular account of those in hard-to-treat homes, which are often older houses in rural areas.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Age UK estimates that more than 3.5 million older people across the UK live in fuel poverty, and every year more than 30,000 older people die from preventable causes over the winter months—a tragedy that we should do all we can to prevent. I have spoken to Age UK about the Government's plan to phase out the Warm Front scheme and replace it with the green deal. Warm Front has so far brought 21st-century heating to more than 2 million households. Age UK is concerned that key components of the Warm Front scheme, including boiler replacements, will not be covered under the green deal. As another cold winter takes hold, has the Minister spoken to Age UK about its concerns, and can he guarantee that the green deal will be fair and will not leave millions of elderly people abandoned in their own homes, living in fuel poverty?

Gregory Barker: I can certainly guarantee, regarding the green deal, that fairness will be at the very heart of this exciting new proposition. In fact, the hon. Lady underestimates the number of fuel poor. Our departmental figures show that there are probably more than 4 million households living in fuel poverty, and that is a direct legacy of the Government whom she supported. Fuel poverty has been rising, year on year, and it did so right the way through the previous Parliament. It is a scandal that despite setting the target for 2016, the trajectory was going the wrong way. We need a game changer; we have to start again. We have to really attack fuel poverty, but we need new ambition, and we are bringing forward radical reforms to ensure that the delivery matches the rhetoric.

Carbon Budgets

3. **Richard Ottaway** (Croydon South) (Con): What assessment he has made of the potential effects of the outcomes of the comprehensive spending review on the ability of the Government to meet its carbon budgets; and if he will make a statement. [23143]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): According to our initial analysis, we are still very much on track to meet our first three carbon budgets. However, the details of the carbon impacts of the spending review will be subject to change until all Departments have decided how to allocate their new financial budgets.

Richard Ottaway: May I congratulate the Minister on achieving a 21% increase in environmental spending right across the Government under the CSR? Will he use this resource to unlock the private sector, which will have the benefit of reducing carbon dioxide emissions while at the same time helping the economy?

Gregory Barker: My hon. Friend is absolutely right. That was an excellent settlement for the green agenda and we now have the resources to fund our core mission of moving towards a low-carbon economy. Ultimately, however, it will be the private sector and private capital, taking advantage of the opportunities that those resources afford, that will allow us to achieve that big transformation. All our initiatives and market reforms are aimed at crowding in private sector capital and making the private sector an exciting place to invest for entrepreneurs and investors.

Alison McGovern (Wirral South) (Lab): Part of the private sector in my constituency, Stiebel Eltron, has come together with training provider, Scientiam, to open a new green energy training centre in Bromborough. That is the sort of action that could really help carbon budgets. Will the Minister join me in congratulating all involved?

Gregory Barker: I certainly will. It sounds like an excellent initiative, and the hon. Lady will know that despite the catastrophic deficit that we inherited, early

on we made £150 million extra available for skills. She is absolutely right that skills and retraining are vital, and I would be delighted to learn more about that institution. Perhaps one day I might be able to visit.

Mr Peter Lilley (Hitchin and Harpenden) (Con): Given that the Government's own impact assessment of the feed-in tariffs to which the Minister referred earlier shows that the costs exceed the benefits by a factor of 20, wasting £8 billion of taxpayers' money, how does that fit in with the comprehensive spending review? Have green policies been exempted from it and become a form of financial self-flagellation?

Gregory Barker: Not when I last checked.

I am afraid there is a fundamental difference of approach between the coalition and my right hon. colleague. [HON. MEMBERS: "Colleague?"] My right hon. Friend. I beg his pardon. The feed-in tariffs have to be seen as a key element of our policies to drive a decentralised energy revolution. If we decentralise energy production, it will have a large number of knock-on effects. It will engage communities and householders, who will become more responsible in the energy economy and take up opportunities that are currently not available to them in an old, 20th-century style of energy provision.

Huw Irranca-Davies (Ogmore) (Lab): To realise the carbon budgets, I make an appeal to the hon. Gentleman. He is a reasonable and intelligent man, I will give him that, and, despite the mixed messages, he understands the importance of new nuclear energy to the UK's carbon reduction strategy. Will he go back to his Treasury colleagues and argue the case again for Sheffield Forgemasters, if only for the carbon reductions, for making the UK a world leader in nuclear build and the export of green jobs and technology, and for the sake of the right hon. Member for Sheffield, Hallam (Mr Clegg)? Just do it.

Gregory Barker: Really, is he still banging on with the first half-year's crib sheet? I thought the hon. Gentleman had come with some fresh material.

We are absolutely committed to a thriving nuclear industry, not just for the domestic sector but for export opportunities. Participants in the industry to whom I talk are very confident about the outlook for the British nuclear industry.

Climate Change Financing

4. **Duncan Hames** (Chippenham) (LD): What discussions he has had on climate change financing in the UN Secretary-General's high-level advisory group on climate change financing. [23144]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): Over the past year, my right hon. Friend the Secretary of State has had wide-ranging discussions on potential sources of climate change financing as part of his involvement in the high-level advisory group on climate change financing. The discussions have focused on how developed countries can meet their Copenhagen accord commitment to mobilising $100 billion a year of public and private finance by 2020, to assist poorer countries with the climate challenge.

Duncan Hames: I thank the Minister for that reply, which I am sure we will be able to explore further in my Westminster Hall debate on Cancun next week. Last week's report should be welcomed for presenting several innovative sources of climate finance, including a tax on aviation and shipping. When can we expect the Government to set out concrete proposals for taking forward any of those options?

Gregory Barker: They were of course options for the international community, not just for the UK, and we need to do a lot more work collectively to put the flesh on the bones of detailed and radical proposals so that the UK can consider each of them on their merits. I fear that there is still some time to go before we are in a position to do that, but the UK is very much committed to the process and to doing so sooner rather than later.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): The Minister will know that some people are already writing down the prospects of a successful agreement at Cancun and talking about Johannesburg next year as the place at which an agreement might be reached. Will the Minister reassure the House that the Government will do everything possible to ensure that an agreement is reached at Cancun? Will he therefore show Britain's role in that process by providing information about how we will commit climate finance as soon as possible?

Gregory Barker: I am glad to say that there is strong cross-party commitment to a legally binding global deal, but I do not think that we are being unduly pessimistic in saying that we do not expect a globally binding deal to be reached at Cancun. That seems to be the expectation of most of the key participants. However, I can assure the hon. Gentleman that the UK is committed to making good progress at Cancun across a range of issues, including finance. We have committed in the CSR to a strong role for fast-start finance, details of which we have already announced.

Fuel Poverty

5. **Karl Turner** (Kingston upon Hull East) (Lab): Whether he has assessed the effect of the outcomes of the comprehensive spending review on households in fuel poverty. [23145]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The spending review committed significant resources to tackling fuel poverty. Warm Front will continue to install measures for around 160,000 households in the next two years. In addition, we are actively working on the green deal and its new energy company obligation, which will have a particular focus on vulnerable households, for the end of 2012. We have confirmed an increase to cold weather payments at £25 a week. We have also confirmed that, from April 2011, energy suppliers will provide new help with energy bills, particularly for the most vulnerable fuel-poor households, through social price support. I will make a more detailed announcement on SPS shortly.

Mr Speaker: We are grateful. A blue pencil is needed to some of these initial answers. They are simply too long.

Karl Turner: I am grateful to the Minister for his reply, but, with respect, talk is cheap. Can he explain how massively cutting budgets to Warm Front, which does a fantastic job in my constituency, will help to eradicate fuel poverty by 2016, as per the previous Government's target?

Gregory Barker: As the hon. Gentleman will know, fuel poverty grew year on year on year under the previous Government. It is simply a fact that 4 million households are now in fuel poverty; five years ago, 2 million households were in fuel poverty. If we had carried on with Warm Front business as usual, the fact of the matter is that it would have taken more than 20 years to achieve the 2016 target. We need a fresh approach, we need to bring in private investment and we need to create new markets. Only then, with the ambition that we have in the new coalition, will we really stand a chance of tackling fuel poverty.

Mr Speaker: Answers really must be shorter from now on. The Minister has been too long, and that is the end of it.

Energy Efficiency

6. **Mr David Amess** (Southend West) (Con): How many households he expects to have participated in his Department's energy efficiency programmes by 2015. [23147]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The green deal will create a completely new market mechanism, incorporating an entirely new obligation on energy suppliers. It will drive up energy efficiency on an unprecedented scale, potentially reaching up to 26 million homes. Green deal plus and other initiatives should lead to around 10 million homes being treated by 2015.

Mr Amess: That is good news, but as a promoter of the Warms Homes and Energy Conservation Act 2000, may I ask my hon. Friend whether he shares my disappointment at the relatively poor take-up of the scheme? What initiatives are the Government taking to ensure that vulnerable people are not cold in their homes this winter?

Gregory Barker: First, may I pay tribute to my hon. Friend's long record of campaigning on this issue? I assure him that Warm Front remains open. We will be treating tens of thousands of new homes this winter. However, it must be the right long-term approach to look for new ways to crowd in private sector investment.

Barry Gardiner (Brent North) (Lab): The Secretary of State has announced his intention significantly to advance the 2020 target for the roll-out of smart meters. The industry, however, is saying that, for each year in advance, there may be trade-offs in efficiency, the interoperability of the kit and the overall functioning of the scheme. Will the Minister ask his officials to investigate that trade-off between efficiency and the acceleration of the scheme, and report back to Parliament?

Gregory Barker: The hon. Gentleman is right. There is a new sense of ambition on the roll-out of smart meters because they offer huge potential. He is also right that that is complex. There is a trade-off to be made, and we are alive to that. My hon. Friend the Minister and our officials are working on the matter collaboratively with the industry, and I can assure the hon. Gentleman that we are making good progress.

Offshore Oil Drilling (Safety Regime)

7. **Mr Philip Hollobone** (Kettering) (Con): Whether he plans to amend the safety regime for offshore oil drilling following the publication of the analysis of the causes of the oil spill in the gulf of Mexico. [23149]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): I am delighted to take part in the Greg Barker show, Mr Speaker.

Although DECC regulates environmental aspects of the oil and gas sector, the Health and Safety Executive is responsible for safety. We have taken further steps to strengthen our regulatory regime by doubling the number of environmental inspections, and we are satisfied that the regime is one of the most robust in the world. We have been looking closely at information from the Macondo incident and will continue to do so. When those investigations are complete, we will determine what more, if anything, needs to be done to reinforce our regulatory approach.

Mr Hollobone: My constituents in Kettering would like to know whether an incident such as happened in the gulf of Mexico could happen on the UK continental shelf, and if so, what the Government would be able to do about it.

Charles Hendry: One of the most immediate actions taken was to ensure that we have capping and containment devices—two containment devices that could deal very quickly with such an emergency are now based in the UK. We are also working with the industry on capping devices that would provide early, permanent solutions.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): Will the Minister ensure not only that we will rightly learn any lessons from the inquiries into the gulf of Mexico incident, but that nothing is done to lose the leading-edge safety case regime that has been so well established since the Piper Alpha disaster?

Charles Hendry: My hon. Friend is absolutely right. We are keen to see international standards and work on that basis. However, that means bringing other countries up to the standard that already operates in the North sea, rather than lowering our standards to other international levels.

Miss Anne Begg (Aberdeen South) (Lab): What is the Government's role in the Oil Spill Prevention and Response Advisory Group, which was set up by the industry in the UK in the light of the disaster in the gulf of Mexico?

Charles Hendry: OSPRAG is rightly an industry-led initiative. We are working very closely with it, especially on identifying areas where Government involvement in crucial. We are particularly supportive of its work on developing immediate capping devices to ensure that should a disaster occur, it can be dealt with very quickly indeed.

Electricity Market Reform

8. **Eric Ollerenshaw** (Lancaster and Fleetwood) (Con): When he expects to announce his plans for a consultation on electricity market reform. [23150]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): The Secretary of State announced his plan for a consultation on electricity market reform in the annual energy statement in July. In accordance with the DECC business plan, the consultation will be launched in December.

Eric Ollerenshaw: What reassurance can the Minister give the House that that consultation will end up not like the endless consultations of the previous Government, but with a clarity of purpose on our energy policy?

Charles Hendry: My hon. Friend is absolutely right. We must put a stop to Green Papers, reviews and consultations. We must draw a line in the sand and say, "This is the time to make decisions, this is the structure and this is basis for getting on with it." We simply must get on with the investment.

Dr Alan Whitehead (Southampton, Test) (Lab): Will the Minister consult on the question of capacity payments for energy plant investment and on low and high-carbon markets? Alternatively, does he consider, as is suggested in the coalition document, that simply having a floor price for carbon will be enough to sort the market out for the future?

Charles Hendry: The hon. Gentleman knows a huge amount about these issues. We are consulting on a floor price for carbon, which we believe is essential, and also on other mechanisms that might be necessary to secure investment in low-carbon technologies. We will consult on capacity payments in terms of back-up generation capacity and on other ways of managing demand, which we think is a more efficient way to deal with that problem.

Renewable Heat Incentive

9. **Ian Swales** (Redcar) (LD): If he will take steps to ensure that the renewable heat incentive does not make UK energy-intensive industries internationally uncompetitive. [23152]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): As announced in the spending review, the RHI will now be funded from Government spending and not from a levy on bills, so we do not believe that there will be any negative impact on the competitiveness of UK energy-intensive industries. On the contrary, the RHI will offer a great opportunity for energy-intensive industries to gain financially.

Ian Swales: The deal for Sahaviriya Steel Industries, a Thai company, to buy Redcar steelworks is likely to be completed within a few weeks. Will the Minister meet representatives of that company to reassure them about the future carbon and energy policy for their industry?

Gregory Barker: I know that my hon. Friend is working extremely hard on this issue. I would be delighted to meet him and the potential purchasers to see what we can do to help to secure those important jobs.

Several hon. Members *rose—*

Mr Speaker: Order. I am grateful to the Minister because he has heeded the advice that I have given to him. The exchange that has just taken place between the hon. Member for Redcar (Ian Swales) and the Minister is a good illustration of how these matters should be conducted. I feel confident that the Minister will want to build on the great advance he has made in recent minutes, and I hope that the House will also feel that this is beneficial to the way in which we do our business. We can always do better, each and every one of us, and there will be further opportunities.

The House will now stand and observe two minutes' silence.

11 am

The House observed a two-minute silence.

Mr Speaker: Thank you.

There was interest in Mr Swales's question and I hope that there still is.

Mr Denis MacShane (Rotherham) (Lab): On this subject, will the Minister meet the UK Energy-Intensive Users Group, because its report, published this week and entitled "The Cumulative Impact of Climate Change Policies on UK Energy Intensive Industries", suggests that without a change of course, electricity prices for the steel industry—which is very important for south Yorkshire—could rise by as much as 141% by 2020? We are all climate-changers and carbon-reducers, but not at the price of eliminating our steel industry.

Gregory Barker: The right hon. Gentleman makes a serious point and last week I had a very good visit to Stoke and the constituencies of several of his hon. Friends to look at how this problem affects the ceramic industry. I would be happy to talk to him about how we can ensure that we do not unduly undermine the competitiveness of the steel industry.

Sarah Newton (Truro and Falmouth) (Con): I welcome the Government's commitment to the renewable heat incentive. What representations has the Minister had to include deep geothermal energy in the RHI?

Gregory Barker: There is a lot of interest in geothermal, which is a very exciting technology with much potential. I have had several representations, not least from my hon. Friend, who is a great champion of this new technology. I am working with my officials to see how we can ensure that geothermal is fully exploited in the UK.

Tidal Power (Severn Estuary)

11. **Mr Ben Bradshaw** (Exeter) (Lab): What assessment he has made of the effects on local employment levels of his decision not to pursue tidal technologies in the Severn estuary. [23154]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): A Severn tidal power scheme could create jobs in Wales and south-west England during construction and operation. However, it could

also cause job losses in the Severn estuary's ports, fishing and aggregate extraction industries. We are talking to interested private sector developers and remain absolutely committed to supporting the growth of a successful UK tidal energy sector.

Mr Bradshaw: Is it not extraordinary that the Energy and Climate Change Secretary can go from being anti to pro-nuclear in a matter of days, yet abandon tidal power for Britain? The Severn estuary has the potential to create 5% of our energy needs and create 100,000 jobs. How does that square with the Prime Minister's promise to put tidal energy at the top of his so-called green agenda?

Charles Hendry: The right hon. Gentleman put it correctly in his own blog, when he said:

"In an ideal world, we would all like to see the scheme that has the potential to provide the maximum amount of renewable energy and the least environmental impact in other ways".

But that might not be possible. We have looked at the costs, the environmental consequences, the benefits it would bring, the alternative schemes and the resulting diversion of capital, and we have decided that other tidal mechanisms would be better.

Miss Anne McIntosh (Thirsk and Malton) (Con): What role did the environmental impact assessment have in the final decision not to proceed, and what lessons can be learned from this process?

Charles Hendry: It was part of the process, but it was not the whole process. We have also looked very carefully at the costs: the main barrage would cost more than £30 billion. We looked at the amount of subsidy that would require now, and believed that it was not the right way forward.

Offshore Wind Power (Port Infrastructure Funding)

12. **Alex Cunningham** (Stockton North) (Lab): What proportion of his Department's funding for low-carbon technologies is likely to be allocated to port infrastructure for offshore wind industries in the next four years. [23155]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): The spending review announcement included about £200 million to support the development of energy technologies, as well as up to £1 billion for carbon capture and storage. We will commit up to £60 million to support offshore wind manufacturing infrastructure at port sites, to meet the needs of offshore wind manufacturers.

Alex Cunningham: I am grateful for that answer, and I am pleased that the Government are following through on this Labour party initiative. The Minister will know that north-east England, including the north bank of the river Tees in my constituency, is well placed to create thousands of jobs through the development of offshore wind farms. Can the Minister assure me that our north-east regional ports will get a share of this investment?

Charles Hendry: These are some of the best opportunities anywhere in the country. We know there are good opportunities across the country, and they will be particularly focused on assisted areas, which will certainly include parts of the north-east. There is great potential there that we hope will be developed.

Mr Charles Kennedy (Ross, Skye and Lochaber) (LD): Given the developments in this sector generally, will the Minister comment on the £70 million wind energy fund, which has just been unveiled by the First Minister for Scotland, and which the First Minister claims is open for business immediately and will lead to the creation of 28,000 jobs? We all hope he is right. Has the Minister's Department been involved with the Scottish Government? How does he see this rolling forward?

Charles Hendry: The First Minister's announcement was based on his own decision, and we are still waiting for more details about what it will involve. However, when we put together £70 million for Scotland and £60 million for England, we have a significant contribution to the development of this industry in the United Kingdom.

Green Investment Bank

13. **Clive Efford** (Eltham) (Lab): What discussions he has had with the Secretary of State for Business, Innovation and Skills on the lending practices to be adopted by the proposed green investment bank. [23157]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): The Secretary of State and I are in regular and close contact with colleagues in the Department for Business, Innovation and Skills and other ministerial colleagues. Following the spending review announcement, the Government aim to complete the design and testing work for the function and form of the GIB by spring 2011.

Clive Efford: How does the Minister intend to advise the bank on its functions when investing in essential green industry development? In particular, if we are looking for winners when investing in new innovation, we might miss the opportunity to provide seedcorn investment, which might then be taken up by other countries. It is essential that we look into investment in new technologies and that we do not miss these opportunities.

Gregory Barker: There are obviously other ways of investing in new technologies, including through the energy strategy board, and the coalition has made an absolute commitment to push forward a range of technologies. The GIB is about crowding in private sector investment into a viable green economy.

Christopher Pincher (Tamworth) (Con): Does the Minister agree with me, with the chief executive of Greenpeace, John Sauven, and, for that matter, with Andy Atkins of Friends of the Earth, that if the GIB is to be truly successful it must be independent and operate as a proper bank? It must not be seen as a fund or a quango.

Gregory Barker: My hon. Friend makes a good point. It is vital that the new institution, which will be the first of its kind in a modern economy, has the maximum capacity to crowd in private sector capital. As a result, it will need to have many of the functions that he lists.

Mr Mike Weir (Angus) (SNP): In Scotland, some of the money for lending by the GIB will have been accumulated through the fossil fuel levy. This is money that came from Scottish consumers, and which the Secretary of State's party promised to release unconditionally to the Scottish Government. Will the Minister press for the immediate release of the money to enable investment in renewable energy now, rather than waiting perhaps years for the setting up of the GIB?

Gregory Barker: There already is dialogue with the Scottish Government on this important issue. The way in which we administer those funds must ensure that they are used to help to drive forward green growth and green jobs.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): It is a shame that the Secretary of State cannot be here today, but I appreciate that his private office let me know in good time. I suspect that, even stuck in an airport in Hong Kong, he must be finding it a challenge not to gloat about the settlement that his Department received from the Treasury. We have heard the Prime Minister talk about the "greenest Government ever" and the Secretary of State talk about a "third industrial revolution". The Minister today has talked about the private sector playing a key role, and yet, as we have just heard, we have no detail about the green investment bank. Is it just a crowd-pleasing gimmick, designed for the Secretary of State to please his friends in Birmingham next September, or is it going to be something real?

Gregory Barker: That is a bit rich coming from the party that produced a crowd-pleasing gimmick after we had published our proposals for the green investment bank last year. Unfortunately, absolutely no work was done in the Treasury before May on any such proposal, so we are starting with a clean sheet of paper. As I have said to the hon. Lady, and as the Chancellor has said, we are working hard on an ambitious proposal, and we hope to make our proposals before the spring. This is very real, and it will play a huge role in driving the green economy.

Meg Hillier: But we still have a distinct lack of detail. We are very aware that "spring" in civil service language can extend for a long period. While the Secretary of State and his team are polishing their green halos—indeed, the Minister is wearing his green tie today—will they tell us whether the green investment bank will have any capital? We are already seeing signs that capital that could have gone into it is going straight to the Treasury. Will the green investment bank be profit making? Will it invest in proven technology or safe bets? The simple question is: when will we know what the green investment bank will be capable of doing and whether it will fuel the private sector investment in green technologies that the Minister has talked about today?

Gregory Barker: If the hon. Lady had been at the comprehensive spending review, she would know that the Chancellor has already committed £1 billion as a backstop. Indeed, he told the Treasury Select Committee last Thursday that that would be just a backstop and that significant further funds would come from asset sales. I appreciate the hon. Lady's eagerness to support a Conservative and Lib Dem proposal, but I have to say that we are going to get this right, and we will come forward with a robust proposal by next spring as a matter of urgency.

Feed-in Tariffs

14. **Greg Mulholland** (Leeds North West) (LD): What plans he has for the future of feed-in tariffs for small-scale renewables; and if he will make a statement. [23158]

16. **Stephen Hammond** (Wimbledon) (Con): What plans he has for feed-in tariffs for small-scale renewables; and if he will make a statement. [23160]

The Minister of State, Department of Energy and Climate Change (Gregory Barker): As indicated to my hon. Friend the Member for Dover (Charlie Elphicke) earlier, I confirmed in last month's spending review that the coalition is fully committed to feed-in tariffs for small-scale renewables.

Greg Mulholland: I thank the Minister for that answer. Local councils have a crucial role to play, so what will the Government do to encourage them to take advantage of feed-in tariffs—especially small-scale feed-in tariffs—so that they can make money for local services as well as cut carbon emissions?

Gregory Barker: The hon. Gentleman makes an excellent point. One of the first things that my right hon. Friend the Secretary of State did was to abolish the previous ban on local authorities selling electricity to the grid. That will now help to create a new, exciting market. We are also making more information available to advise local authorities and communities on how they can access financial incentives.

Stephen Hammond: I listened carefully to my hon. Friend's earlier answer, and I was pleased to hear his remarks about solar power. I met a manufacturer of solar power technology on Monday, and he was concerned not about the finance opportunities but about the lack of educational opportunities, in that some people do not seem to appreciate the benefits of feed-in tariffs. What are the Government doing to increase education?

Gregory Barker: It is about dissemination of information, for which our new web-based initiative will be an important tool. Obviously, unlike the previous Government, we will not be spending lots of money on pamphlets and advertising. We have to be cautious about that, but we are doing our best to get the message out there, and ensure that communities and local councils have the information they need.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Does the Minister agree that the third sector plays an important part in small-scale renewables and much else that we have been discussing in Question Time today? On this, the six-month anniversary of this Government, does he realise that the third sector is being destroyed because of the uncertainty of funding, and that it will not last much longer in the environmental area?

Gregory Barker: I have to say that I simply do not share the hon. Gentleman's gloomy outlook for the third sector. We are engaging with some excellent social enterprises, and we certainly intend to ensure that the third sector is able to play as big a part as possible in both the green deal and the roll-out of renewable technologies at a micro level, in what is a very exciting agenda.

Floor Price (Carbon)

15. **Mr Dominic Raab** (Esher and Walton) (Con): What plans he has to introduce a floor price for carbon. [23159]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): The Chancellor announced in the Budget that the Treasury and Her Majesty's Revenue and Customs would publish proposals in the autumn to reform the climate change levy to provide more certainty and support for the carbon price, and to encourage investment in low-carbon electricity generation. DECC officials have been supporting the Treasury and Her Majesty's Revenue and Customs in developing these proposals, which will be published shortly.

Mr Raab: I thank the Minister for that answer, and I welcome his Department's consultation on a floor price for carbon. I hope that that will take the place of the tapestry of tariffs and subsidies that distort the market for clean energy. How will he ensure that the price is set at a level that ensures a level playing field and encourages long-term investment, including in nuclear power?

Charles Hendry: My hon. Friend puts his finger on the most crucial issue in the area. This is one of the most important areas where we will be consulting and taking forward policy in the whole of this Parliament. We have to set it at a level that will stimulate investment, without penalising consumers or reducing the commercial advantage of British companies. That is a priority in our work.

John Cryer (Leyton and Wanstead) (Lab): Does the Minister realise that a floor price for carbon that is significantly above the market rate will be seen as a subsidy for the nuclear industry, and how does he justify that?

Charles Hendry: This is a mechanism to support investment in all low-carbon technologies. We were left with a mountain to climb—£200 billion of new investment—as a result of the failure to secure enough investment in the past. These are part of the crucial measures required to make sure that international investors see the attraction of investing in Britain.

New Nuclear Power Stations

17. **Andrew Stephenson** (Pendle) (Con): What steps he is taking to facilitate the construction of new nuclear power stations without public subsidy. [23161]

The Minister of State, Department of Energy and Climate Change (Charles Hendry): I am on a roll now. The coalition agreement makes it clear that nuclear power without subsidy has a role to play in our future energy mix. The Government are committed to removing obstacles to investment in new nuclear. These include designation of a nuclear national policy statement, completion of the required regulatory justification process, completion of a generic design assessment, and putting in place a robust regulatory framework for waste and decommissioning.

Andrew Stephenson: I thank my hon. Friend for his reply. Nuclear must be part of a diverse energy mix, but does he agree that it is now too late for new nuclear to come on line before the old capacity shuts down?

Charles Hendry: My hon. Friend emphasises absolutely the right point. We have a challenge coming in 2016 when one third of our coal plant will close. Another large chunk of coal will go towards the end of the decade, and most of our nuclear plant will close during this decade. Had it not been for the five-year moratorium on nuclear under the previous Government, we would have been five years ahead, and the energy security of this country would have been greatly enhanced.

Angela Smith (Penistone and Stocksbridge) (Lab): As was mentioned earlier, it is critical to advance manufacturing that the new generation of power stations goes ahead. Companies such as Forgemasters are looking for certainty. Will the Minister guarantee that the building of new stations will go ahead, even if it proves necessary to provide some public subsidy?

Charles Hendry: We have said that we want international companies to look at the opportunities in Britain, and we are encouraged that it is increasingly becoming one of the most attractive places in the world for investment in new nuclear. We will remove barriers to investment, but there will not be public subsidy for such work, and companies are not asking for that. We are creating the right framework for investment to take place.

Topical Questions

T1. [23166] **Priti Patel** (Witham) (Con): If he will make a statement on his departmental responsibilities.

The Minister of State, Department of Energy and Climate Change (Charles Hendry): Since our last departmental questions, we have launched a consultation on the revised draft national policy statement on energy calling for a surge in investment in new energy. We have worked with colleagues in the Treasury to secure a spending review settlement that allows us to deliver on our key policy objectives, and we have published our departmental business plan setting out how we will honour our commitments in the coalition agreement.

Priti Patel: In the past few years, bonuses and other allowances paid to the Minister's Department and its four quangos have totalled more than £30 million. What action is being taken to reduce these spiralling costs?

Charles Hendry: My hon. Friend raises an important issue. Targeting payment to specific staff, rather than building it into a general salary, is a more efficient use of public spending. For example, it does not increase long-term costs such as pension entitlement. We are, however,

looking closely at such issues. We have already taken measures to tighten controls in areas such as travel, and we have implemented a pay freeze this year and next year for all staff other than those earning less than £21,000. The use of bonuses has been significantly reduced.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): Moving from housekeeping to international issues, I note that next week there will be a debate on the Cancun climate change conference, thanks to the hon. Member for Chippenham (Duncan Hames). That debate is very welcome, but until we heard some snippets from the Minister today, it underlined the fact that there has been a deafening silence from the Government in the House about what they want to achieve. We all want a good outcome, and we recognise the challenges, as the Minister said, about legally binding international agreements. Will he tell the House clearly what the Government hope to achieve in the UK, and whether they are planning to make a statement in Government time?

The Minister of State, Department of Energy and Climate Change (Gregory Barker): We hope that there will be good progress at Cancun. In contrast to the sentiments expressed earlier, however, I think it is unlikely that we will get a legal agreement. We are certainly one of the most progressive nations, and we are following the example of the previous Government, to whose work on the international climate stage I pay tribute. It is tough but, as the Secretary of State said, there are grounds for optimism that we can make progress on measurement, reporting and verification, on finance architecture and on clarifying the next steps for the United Nations framework convention on climate change to make further progress towards a legally binding agreement. I would be happy to meet the hon. Lady and her team to talk this through in more detail.

T2. [23167] **Andrew Stephenson** (Pendle) (Con): I represent a constituency in the Pennines, where it already feels significantly colder than it does here in London. May I ask the Minister to explain what he is doing to ensure that we have adequate gas supplies at times of peak demand?

Charles Hendry: My hon. Friend raises a critical issue. We have already started to take action. I have licensed the Saltfleetby facility, which will give us a 15% increase in our gas storage, and the Deborah facility, which, if it gets the final investment decision, will double gas storage in this country. We shall also take steps in the Energy Security and Green Economy Bill this autumn to require greater security of supply from the energy companies.

Mr Speaker: Jessica Morden. Not here.

Malcolm Wicks (Croydon North) (Lab): Following this week's publication of the "World Energy Outlook" by the International Energy Agency, have the Minister and his Department made any assessment to see whether they agree with the view that we are facing a global glut of gas? Has he also analysed the connect, or disconnect, between that fact and the rising gas prices that our householders and businesses in the UK are facing?

Charles Hendry: I am grateful to the right hon. Gentleman, who was two of the best of the last batch of Energy Ministers. I had a meeting with the executive director of the International Energy Agency this week to talk about its work and about the energy outlook. We broadly share the analysis that we are moving into a period of widely available and relatively affordable gas, but the danger of that is that it could put off investment in gas development internationally, which could create shortages further down the line.

T3. [23168] **David Mowat** (Warrington South) (Con): Over the past couple of years, work has commenced in countries other than the UK on about 60 nuclear power stations, which will provide cheap, economically sustainable energy across the world. Does the Minister agree that this represents an opportunity for our own office for nuclear development, and will his Department support it in its endeavours to secure exports?

Charles Hendry: One of the advantages that we have is that, because we do not have a national champion, we have an independent regulator who is robust and understood to be very forceful and effective. We can encourage other countries to look at that as well. The work we are doing across the piece on nuclear decommissioning and development is also critical.

T8. [23173] **Paul Blomfield** (Sheffield Central) (Lab): The Minister has acknowledged the importance of private sector investment in the green investment bank. Will he outline to the House what practical steps are being taken to obtain such investment, and does he recognise that the delay in making a detailed statement about the bank's function and structure is causing uncertainty in the sector, which will frustrate that investment?

Gregory Barker: We are not rushing to get this right in a matter of weeks. We are talking at length and in great detail with all the major participants in the City of London, and we have great support—as witnessed by a letter to the Prime Minister from the chairman of the green investment bank commission this week—from the major institutions and investors who know that the important thing is that we get this right. Compared with the speed of the previous Government, we are moving like lightning.

T4. [23169] **Philip Davies** (Shipley) (Con): When the previous Government introduced the Climate Change Act 2008, they estimated the costs at £200 billion, which they revised a few months later to £400 billion, or £20,000 per household. What is the latest estimate of fully implementing the Act? Is there any advance on £400 billion?

Gregory Barker: These are big figures and it is difficult to get one's head around them. No new data are available, but I remind my hon. Friend that the cost of not acting is far greater than the cost of prudent early action. Lord Stern estimated that the cost would be between 5% and 10% of GDP. Moreover, this is a huge opportunity for UK plc.

Mr Speaker: Gareth Thomas. Not here.

Mr Dennis Skinner (Bolsover) (Lab): Does the Minister recall that a couple of months ago I raised with him the question of planning applications for the installing of wind turbines close to villages? I asked him if the Department had decided whether the turbines should be 5 km or 2 km away, and I had the impression that he would have a look at it. Has he made his mind up yet?

Charles Hendry: The hon. Gentleman has raised an important point on which there is strong feeling on both sides of the House. We do not believe that that sort of distance restriction is appropriate, although we know that a different approach is taken in Scotland. We think it important for local communities to own the decisions, which is why we have a localism agenda. We want such developments to have the active buy-in and support of local communities, and we are determined to deliver that.

T5. [23170] **John Glen** (Salisbury) (Con): Can the Minister assure me that he is working closely with his ministerial colleagues in the Department for Communities and Local Government to ensure that their approach to localism in the context of planning does not unreasonably restrict the diversification of farm businesses as they enthusiastically embrace small-scale renewable energy incentives?

Gregory Barker: Yes, I can assure my hon. Friend that there is a great deal of cross-departmental working in the coalition. There are plenty of opportunities for farmers, particularly in the sphere of anaerobic digestion, which we consider to be capable of huge expansion.

Mark Durkan (Foyle) (SDLP): As scoping work continues in relation to the green investment bank, can Ministers assure us that the bank will be geared to support projects in Northern Ireland? Can they assure us that the mistake involving the renewable obligation certificates regime will not be repeated, and that worthwhile projects will not be precluded because of their cross-border character when that is what makes the most economic and environmental sense?

Gregory Barker: The hon. Gentleman makes some very good points. I am pleased to tell him that the Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Wealden (Charles Hendry), had an excellent meeting with members of the Northern Irish Government yesterday. We are determined that the whole United Kingdom should be able to share the benefits and the investment involved in the transition to a green, low-carbon economy.

T7. [23172] **Sir Robert Smith** (West Aberdeenshire and Kincardine) (LD): Smart meters have a great potential to benefit both consumers and the national interest in reducing our carbon emissions. What discussions are the Government having with industry and regulators to ensure that the vital spectrum is still available to ensure that the roll-out of smart metering extends to the whole United Kingdom, including difficult-to-reach rural areas?

Charles Hendry: My hon. Friend has put his finger on an important point. A number of communication technologies may be appropriate in the context of smart metering. In July my Department, together with Ofgem, published proposals for the establishment of a national smart meter communications organisation. Ofcom is also directly involved, and we are working closely with it to deliver exactly the sort of solution that my hon. Friend wants.

Kerry McCarthy (Bristol East) (Lab): As Ministers are no doubt aware, the Sustainable Livestock Bill will be before the House tomorrow. I appreciate that it is led by the Department for Environment, Food and Rural Affairs at the domestic level, but what is the Minister doing to ensure that the issue is on the agenda at the international climate change talks?

Gregory Barker: It is a DEFRA issue, and obviously we will be asking our DEFRA colleagues how they think we, when representing the United Kingdom at Cancun, can best present the wider green agenda. However, I will talk to my colleagues in DEFRA, and if the hon. Lady wishes to make particular representations to me, I shall be glad to receive them.

T10. [23175] **Julian Sturdy** (York Outer) (Con): Does the Minister believe that sourcing energy from waste is sustainable in the long term?

Gregory Barker: Absolutely. Recovering energy from waste can play a very important part in tackling climate change, improving energy security and creating green jobs. However, given the waste hierarchy, before we use waste for energy we must reduce it, and recover it in ways that have less damaging environmental impacts.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): In a number of his earlier, longer answers, the Minister referred to the green deal and the holistic approach that is to be taken. May I ask what discussion he or his officials have had, or plan to have, with the Scottish Executive about how the regimes in Scotland will marry with the green deal?

Gregory Barker: My officials have had such meetings, and I hope to have meetings myself as we develop the detail of the green deal. It is important that such opportunities are available throughout the country.

Andrew George (St Ives) (LD): What can Ministers say to reassure the House that Government policy will result in the building up of UK industries in renewables and energy efficiency rather than simply our sucking in imports?

Gregory Barker: That is where skills come in. It is vital that we have the skills, and investment is therefore also vital. That is why the Government are investing in skills, science and innovation and the green investment bank. All three of them received substantial funding in the comprehensive spending review, and they are a key part of the mix. It is vital that we secure green jobs here in the UK and that we build up the supply chain not only for the green economy, but to help rebalance the UK's manufacturing industry

Thomas Docherty (Dunfermline and West Fife) (Lab): Given that Longannet power station is now the only bidder left in the carbon capture competition, will the Minister move quickly to make a decision on that, and will he come to my constituency and see the work first hand?

Charles Hendry: I should be delighted to come to the hon. Gentleman's constituency. This is potentially one of the most important projects in the country, and I am delighted that the spending review was able to give £1 billion to taking forward carbon capture. That is the greatest single contribution any Government anywhere in the world has made to a single plant, and I very much hope we can make the Longannet project work. I should be very pleased to visit it with the hon. Gentleman.

Mr Peter Bone (Wellingborough) (Con): This country has a liberalised energy market, but the previous Administration failed to persuade some of our European Union colleagues to liberalise their energy markets. What progress is this Government making?

Charles Hendry: Progress is indeed being made, such as in unbundling and separating the vertical integration of some of the larger European countries. They are also making particular progress in energy security, in terms of the development of gas and electricity connections. That will play a very useful role by greatly enhancing our security in times of international stress and pressure.

Mr Iain Wright (Hartlepool) (Lab): In response to a question from my hon. Friend the Member for Stockton North (Alex Cunningham), the Minister acknowledged the huge potential of Teesside and the north-east in the manufacture of renewable energy. That requires Government support, yet business support is being cut, particularly in the regions. Given the enormous potential of Hartlepool, Teesside and the north-east, what can the Minister do to make sure we realise that potential?

Charles Hendry: It is a tradition of these exchanges that I discuss when I will visit the hon. Gentleman's constituency, and I shall do so before the next exchange. I will be there in early December, so that I can better understand the massive contribution businesses in his constituency and thereabouts can make in respect of our energy security and the development of low-carbon technologies in this country.

Jo Swinson (East Dunbartonshire) (LD): The Government's current target is for 15% of energy to be produced from renewable sources by 2020. If the measures we are taking to encourage renewables prove successful, will the Government consider being more ambitious and revise that target upwards?

Charles Hendry: We have asked the Committee on Climate Change to look at whether that level of ambition should be raised. We are also examining whether we can do more through international co-operation: have some areas of renewable energy been locked out because they cannot be used for other countries' domestic markets, so can we go further by looking at a "whole islands" approach around the British isles to maximise the resources that are available?

Ian Lavery (Wansbeck) (Lab): Will the Minister update the House on the progress, or otherwise, being made in the development of the carbon capture and storage projects involving clean coal technology here in the UK?

Charles Hendry: As I have said, the spending review settlement allocated £1 billion to project 1. We will then take forward three further projects, and we have now announced that that could be open to gas as well. We are looking at three further projects because we believe Britain should be leading the world in this technology, and we are absolutely determined that it will.

Rehman Chishti (Gillingham and Rainham) (Con): The generation tariff payment is not the consideration of any supplier and is therefore outside the scope of VAT. If a commercial company wishes to assign its income to a third party in exchange for the supply and installation of solar panels, will the funder of the panels be able to claim back the input VAT?

Gregory Barker: I apologise to my hon. Friend for not quite catching all of his question, but I think it relates to solar panels and VAT. I should be very happy to look at the issue, and if he writes to me, I will examine it in detail.

Business of the House

11.34 am

Hilary Benn (Leeds Central) (Lab): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for the week commencing 15 November will include:

MONDAY 15 NOVEMBER—Second Reading of the Terrorist Asset-Freezing Etc. Bill [*Lords*], followed by a motion to approve a money resolution on the Sports Grounds Safety Authority Bill. In addition, my right hon. Friend the Prime Minister plans to make a statement on the G20.

TUESDAY 16 NOVEMBER—Consideration in Committee of the Fixed-term Parliaments Bill (Day 1).

WEDNESDAY 17 NOVEMBER—Opposition Day [6th Allotted Day]. In the first part there will be a debate on health, followed by a debate on education. The precise titles are to be confirmed. Both debates will arise on an Opposition motion. That will be followed by a motion to approve the draft Local Elections (Northern Ireland) Order 2010 and the draft Northern Ireland Assembly (Elections) (Amendment) Order 2010.

THURSDAY 18 NOVEMBER—A debate on immigration. The subject for this debate was nominated by the Backbench Business Committee.

FRIDAY 19 NOVEMBER—Private Members' Bills.

The provisional business for the week commencing 22 November will include:

MONDAY 22 NOVEMBER—Remaining stages of the Savings Accounts and Health in Pregnancy Grant Bill.

TUESDAY 23 NOVEMBER—Second Reading of the National Insurance Contributions Bill.

WEDNESDAY 24 NOVEMBER—Consideration in Committee of the Fixed-term Parliaments Bill (Day 2), followed by a motion to approve a statutory instrument relating to the draft Scottish Parliament (Elections etc.) Order 2010.

THURSDAY 25 NOVEMBER—Remaining stages of the Local Government Bill [*Lords*].

I should also like to inform the House that the business in Westminster Hall for 25 November will be: impact of the comprehensive spending review on the Department for Transport.

Hilary Benn: I thank the Leader of the House for his statement.

As we have just observed the 11th hour of the 11th day of the 11th month, I am sure all of us present would wish to honour and remember those, including former Members and staff of this House, who have given their lives in the service of our country.

Next Tuesday we will consider the Fixed-term Parliaments Bill in Committee on the Floor of the House. Can the Leader of the House confirm that there will be injury time if there are any urgent questions or statements ? Also next week, we understand that the Deputy Prime Minister will make a speech about constitutional reform. Can we have a statement on whether this will cover restoring trust in politics, given the enormous sense of betrayal felt by many people who voted Lib Dem last May?

Before the election the Lib Dems made everything of their pledge to vote against the lifting of the cap on tuition fees, but after the election they could not dump it fast enough. This morning, we hear that the Deputy Prime Minister has said that he

"should have been more careful"

about signing the pledge. Anyone hearing that would think that some dodgy bloke had come up to him in the street and badgered him into signing it, whereas in fact the Deputy Prime Minister invented the pledge, was photographed holding the pledge, and even produced a video of himself making the pledge. He knew exactly what he was doing. Can the Leader of the House give us an assurance that there will be no vote on any orders to lift the cap on fees before the promised White Paper has been published?

On the cuts in funding for higher education, I asked the Leader of the House last week whether the statement made by the Minister for Further Education, Skills and Lifelong Learning that the Government

"will continue to support the arts through the subsidy for teaching in universities"—[*Official Report*, 3 November 2010; Vol. 517, c. 315WH.]

was accurate or not, given that it did not square with what his boss had said. Yesterday, when asked specifically about this, the Deputy Prime Minister said:

"The statement we made was very clear."—[*Official Report*, 10 November 2010; Vol. 518, c. 285.]

That did not really help the House, because our problem is that two different statements of policy have been given by two different Ministers in the same Department. I am sure the Leader of the House has looked carefully into this since last week, so can we now have a definitive statement to clear up this mess?

On school sport, 20 years ago the previous Conservative Government, of whom the Leader of the House was a member, took great pride in selling off school playing fields. Under the Labour Government, by contrast, there was an increase in the time devoted to sport in schools. Given the importance that those on both sides of the House place on the Olympics and their legacy, can we have a statement on how the Government plan to increase participation in sport by young people when they are getting rid of the grant to the Youth Sport Trust?

I come now to the talk of cuts, the need for everyone to tighten their belts and the civil service recruitment freeze—in other words, the big picture. Following the Leader of the House's answer last week on the Prime Minister's personal photographer, who it turns out did not make the trip to China—it is true; he has been left behind, with the Foreign Secretary—it is reported that among those who have now also been put on the civil service payroll by the Prime Minister are a former Conservative candidate, a former fashion PR, and the former head of brand communications, whatever that is, at the Tory party. May we have a statement on whether the reports of those appointments are true?

Finally, we have all admired the painfully honest admission by the Children's Minister, the Under-Secretary of State for Education, the hon. Member for East Worthing and Shoreham (Tim Loughton), that

"most people don't know what the Big Society really means, least of all the unfortunate ministers who have to articulate it."

In complete contrast, is the Leader of the House aware that the jargon-ridden statement made by the unfortunate Minister of State, Cabinet Office on Monday caused great consternation on both sides of the House? I know that the Leader of the House is a compassionate man, so can he put us all out of our misery, stand up at the Dispatch Box and—keeping an absolutely straight face—explain to the House: what on earth is a horizon shift?

Sir George Young: May I begin by endorsing what the right hon. Gentleman just said? You, Mr Speaker, and many Members were in the House at 11 o'clock, when we remembered those who had died. In the forefront of our minds were the recent casualties who sacrificed their lives for the security of our nation. We must remember them, their friends and their families. Over the weekend many of us will attend Remembrance day services in our constituencies, showing our solidarity with our armed forces and our sympathy for those who have lost their lives and been injured.

Now let me turn to the issue of trust in politics. I gently remind the right hon. Gentleman that his party said that it would not introduce tuition fees or top-up fees. It then proceeded to do both, so I am not sure that he is in a very strong moral position to lecture other people on what their policies should be. As he said, we are planning a debate on the Browne report before we vote on the order. I shall make inquiries about the timing of the White Paper to which he referred and get back to him.

There will be an opportunity the next time Business, Innovation and Skills questions come round for the right hon. Gentleman and his right hon. and hon. Friends to pursue the separate issues that he raised about the STEM subjects—science, technology, engineering and maths—and support for the arts.

On the question of selling off sports grounds and time spent on sport, I am not sure that the right hon. Gentleman was comparing like with like. If he thinks about it, those are not totally comparable activities. I know that my hon. Friend the Minister for Sport and the Olympics is very anxious that we should capitalise on the 2012 Olympics in order to engage young people in sport, and I am sure that at the next Culture, Media and Sport questions there will be an opportunity to press him on that topic.

Finally, on the subject of the photographer, the right hon. Gentleman may have seen what the hon. Member for Great Grimsby (Austin Mitchell) said in his blog:

> "It's not only petty to attack Dave for putting his personal photographer on the payroll. It's daft...We need not only a PM photographer but an opposition photographer, a Downing Street photographer and a Parliamentary Photographer."

The previous Government spent more than half a billion pounds on communications and PR, and we are cutting that by two thirds. The people to whom the right hon. Member for Leeds Central (Hilary Benn) referred are brought in to do specific tasks, when it would be more expensive to hire them on a freelance basis day by day.

The big society means volunteers and their local community complementing what is done by central Government.

Several hon. Members *rose—*

Mr Speaker: Order. As usual, a very large number of hon. and right hon. Members are seeking to catch my eye. We have two further important statements to follow, and a Backbench Business Committee debate that is heavily subscribed, so if I am to accommodate as many people as possible, brevity from those on the Back Benches and the Front Bench alike is required.

Nadine Dorries (Mid Bedfordshire) (Con): This House needs an emergency debate. What we saw happen yesterday was deplorable. We saw National Union of Students officials egging the crowd on, although today Aaron Porter, the president of the NUS, is attempting to remove himself from the situation. We need to know whether the police were incompetent or badly briefed. Yesterday somebody could very easily have died. The behaviour of the NUS officials and stewards on the ground was deplorable, and we need a debate in the Chamber to discuss that matter.

Sir George Young: I entirely share the views that my hon. Friend has just expressed. She will know that after the business statement there will be an oral statement by the Minister for Policing and Criminal Justice, who will be in a better position than I am to respond to the points that she has just made.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Has the right hon. Gentleman seen early-day motion 967 in my name and those of several other hon. Members, entitled "Inspector Damian O'Reilly, Community Police Officer of the Year 2010"?

[That this House congratulates Inspector Damian O'Reilly of Greater Manchester Police on his award as nationwide winner of Community Police Officer of the Year; and believes that this richly-deserved recognition is a tribute not only to the dedicated service of Inspector O'Reilly in providing effective policing and preserving law and order but also to the work of many other members of Greater Manchester Police in serving the community.]

Will he join me and other hon. Members in congratulating Inspector O'Reilly on the superb work he does in policing, together with those who work with him in my constituency? Will he also join me in congratulating all other Greater Manchester police officers who work for their community?

Sir George Young: I congratulate the right hon. Gentleman on his early-day motion. I have no hesitation whatever in supporting it, and in embracing within it the additional officers to whom he referred.

Mr Speaker, I forgot to reply to the earlier question about the Fixed-term Parliaments Bill and injury time. The Government do not intend to add injury time should there be a statement on that day.

Mr Greg Knight (East Yorkshire) (Con): May we have a debate on food labelling? Is my right hon. Friend aware that imported meat packaged here can be labelled and sold as British, and that chicken injected with salt, water and, of all things, beef protein can still be marketed as "chicken"? Should we not seek to achieve more honesty in food labelling?

Sir George Young: I entirely agree with my right hon. Friend. It should be made absolutely clear which food is genuinely produced in the UK and which is processed in

[Sir George Young]

the UK having been reared somewhere else. I shall pursue his concerns with my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs to see what action the Government are taking to secure the ambitions that my right hon. Friend the Member for East Yorkshire (Mr Knight) and I share.

Mr Kevin Barron (Rother Valley) (Lab): The Leader of the House has added his name to two motions on the Order Paper laid by members of the Select Committee on Standards and Privileges regarding two recently published reports. When will those motions be debated on the Floor of the House, thereby allowing us to take a decision on them?

Sir George Young: I am grateful to the right hon. Gentleman and his Committee for producing those two reports. I envisage that those motions will be on the operative part of the Order Paper next week. The House can then decide whether to let them through on the nod or to debate them.

Bob Russell (Colchester) (LD): Last month the shadow Leader of the House asked for a debate on the Independent Parliamentary Standards Authority, and was told that the Opposition could table it as the subject of an Opposition day debate. IPSA is of concern to MPs throughout the House: it is obstructing MPs in their duties, and the equivalent of 100 full-time jobs are now dedicated simply to MPs and their staff completing forms. Is it not time that the Government initiated a debate on this subject? The Leader of the House is fully aware of what is going on.

Sir George Young: I am grateful to the hon. Gentleman for articulating concerns that are shared by hon. Members on both sides of the House. The Government have no plans to allocate a day to debating IPSA, but it is open to him to go along at 4 o'clock and put his case for a debate on IPSA, as I think one of my hon. Friends has already done. I shall see the interim chief executive of IPSA later today, and I shall pass on the hon. Gentleman's concerns to him. It is the objective of IPSA to support Members of Parliament in the performance—*[Interruption.]*. It is the duty of IPSA to support Members of Parliament in the performance of their duties, and not to obstruct them.

Valerie Vaz (Walsall South) (Lab): My virtual constituent Richard Prescott, a lecturer in Italy, has made a claim against the university of Bergamo that started in 1994. The university is appealing the case, although the European Court of Justice has said that Italy violated the law seven times. Will the Leader of the House make urgent representations to the Minister for Europe to ensure that recognition of the rights of British citizens is speeded up?

Sir George Young: I am sorry to hear what has happened to the hon. Lady's constituent. I shall pass on her concerns to the Minister for Europe, but it strikes me that she might usefully apply for an Adjournment debate so that her concerns can be developed at greater length.

Robert Halfon (Harlow) (Con): Has my right hon. Friend seen early-day motion 971, congratulating Harlow British Legion and Harlow council on the special memorial that they have built as a tribute to fallen soldiers who have died in action since the second world war?

[That this House notes the recent memorial service at the Netteswell Memorial Garden in School Lane, Harlow, to mark the building of the new memorial to fallen soldiers who have died in action since the Second World War; believes that it is a tribute to Harlow British Legion and Harlow Council that they ensured the memorial was built; concludes that for too long at remembrance services only the names of those in action before or in the Second World War have been read out; welcomes the fact that in future, all those who have passed away since 1945 will be remembered, including those who died serving recently in Iraq and Afghanistan; and therefore commemorates the day of remembrance for the UK's brave armed forces, which is also a day of dignity for Harlow.]

Will he join me in congratulating Harlow British Legion and Harlow council and find time for a debate to commemorate servicemen and women who have died since 1945, particularly in Iraq and Afghanistan?

Sir George Young: I am grateful to my hon. Friend, and of course I congratulate Harlow British Legion and Harlow council on building a special memorial to the fallen. It is particularly appropriate that my hon. Friend should have raised that particular subject today. There will be opportunities in the future—certainly between now and Christmas—to debate issues concerning our armed forces, when I hope my hon. Friend will have an opportunity to develop his case.

Mr Tom Watson (West Bromwich East) (Lab): A debate on the Freedom of Information Act 2000 would allow me to return to the subject of the ministerial wine cellar. Foreign Office Ministers, in refusing my freedom of information appeal, have asked the deputy director of protocol and assistant marshal of the diplomatic corps to write to me to say that she considers that

"the public interest is best served by withholding the details of the stock list".

May I ask the Leader of the House: what is he hiding in the cellar?

Sir George Young: Neither myself nor my hon. Friend the Deputy Leader of the House has had an opportunity to taste the products of the Government's wine cellar. I have to say that the hon. Gentleman and his hon. Friends are probably better placed than we are to know exactly how much was invested in wine, what the vintages were—and, indeed, how much wine was consumed.

David Tredinnick (Bosworth) (Con): Further to his answer to me on 14 October, will the Leader of the House update the House on his discussions with the Home Secretary about sorting out the problem in Parliament square? Will specific provision be made in the forthcoming Home Office Bill to ban tents there?

Sir George Young: I admire my hon. Friend for his persistence. He may know that there was an exchange in the House of Lords earlier this week when this very issue was touched on. The Government's view is clear: it is not acceptable for people permanently to take over a

site of national interest. We support the action taken by the Mayor to evict the democracy village from the Parliament square garden. We are working closely with Westminster city council, the Greater London authority and the police to ensure that the law supports the right to peaceful protest, but we also support the rights of others to enjoy our public spaces. As my hon. Friend said, we are considering introducing legislation to address this issue; if we do not get it spot-on first time, I am sure that we will be interested to consider any amendments that he might table.

Mr Dave Watts (St Helens North) (Lab): Given that this week's "Dispatches" programme highlighted the fact that workers were being paid £2.50 an hour and that health and safety as well as immigration rules were being flouted by dozens of companies, may we have an urgent debate on what action the Government are going to take to deal with that national scandal?

Sir George Young: Of course the health and safety regulations should be observed, as should those on the national minimum wage. May I suggest that the hon. Gentleman provide detailed examples to Ministers in the Department for Work and Pensions, who would be more than happy to pursue them?

Mark Lancaster (Milton Keynes North) (Con): May we have a debate on support for our veterans? At 11 am this morning I joined many fellow veterans in attending the Field of Remembrance service in Westminster abbey. Unfortunately, despite the best efforts of the Royal British Legion, it is clear that this service is now so popular that we simply could not accommodate several hundred veterans who had travelled many miles to attend it. Will the Government work with the Royal British Legion and endeavour to make sure that in future years they can attend?

Sir George Young: I am sorry to hear that some who travelled to Westminster abbey were unable to attend the service. Of course I will be more than happy to take this up with the Church authorities, the Royal British Legion and others to make sure that we do not have a similar problem next year.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): Can the Leader of the House arrange for the Deputy Prime Minister to come before the House to explain why he is holding a referendum on the alternative vote system on the same day as elections for the Scottish Parliament? I say that in the light of today's news that the Electoral Commission in Scotland is expressing deep concern about lack of staff and resources on that day. We do not want those serious elections to be hijacked.

Sir George Young: This House has just spent five days in Committee and two days on Report on the Parliamentary Voting System and Constituencies Bill. The House has had adequate opportunities to debate all those issues. If the hon. Gentleman has any friends in the other place—where the Bill is now—he might be able to pursue his concerns through them there.

Greg Mulholland (Leeds North West) (LD): I commend Government Whips for allowing me to serve on the Joint Committee on Statutory Instruments next week when it considers making changes to legislation on houses in multiple occupation, knowing that I will vote against the Government. When will all the MPs representing seats like mine have the chance to debate this very important issue?

Sir George Young: I must tell my hon. Friend that that may be the last time the Whips put him on such a Committee—but I understand his point. Perhaps he could either put in for an Adjournment debate or approach the Backbench Business Committee in order to have a serious debate on HMOs.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): Can the Leader of the House advise us whether he has had any indication from his right hon. and hon. Friends in the Department for Environment, Food and Rural Affairs about when they will bring forward their conclusions and recommendations following the consultation on dangerous dogs that we launched in March this year? Are those recommendations likely to include compulsory micro-chipping of puppies?

Sir George Young: I am afraid that I do not have at my fingertips the date of that response, but I will raise the issue with my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs and see whether we can provide an answer on when the Government's position will be made clear.

Julian Smith (Skipton and Ripon) (Con): Businesses in the market town of Masham in my constituency are suffering from the removal by the Highways Agency of all six signs directing travellers off the upgraded A1. Can we have a debate about Highways Agency guidance on signs, and how it must take greater account of the need to promote Britain's stunning market towns?

Sir George Young: I will raise that particular issue with the Secretary of State for Transport. I know from my own constituency that many market towns depend on such signs to advertise their attractions, and that there can be a marked fall-off in visitor traffic if they disappear. I will pursue the matter with my right hon. Friend and ask him to write to my hon. Friend.

Thomas Docherty (Dunfermline and West Fife) (Lab): On 21 October I raised with the Leader of the House the issue of children having shotgun licences. I mentioned that statistics showed that 26 10-year-olds and 74 11-year-olds had such licences. The right hon. Gentleman promised that this would be fed into the forthcoming debate on shotgun licences and the report on the Cumbrian shootings. Can the Leader of the House tell us when we will have an opportunity to discuss this issue?

Sir George Young: I am grateful to the hon. Gentleman for pursuing that issue. We have some of the toughest firearms laws in the world, but we are prepared to review and change them if necessary. What I said last time was that we need to await the report of the Home Affairs Select Committee, which is looking at firearms legislation. When we have that report, we will honour the commitment I gave before the summer recess and find Government time in which to debate our gun laws.

Adam Afriyie (Windsor) (Con): The comprehensive spending review has cut costs right across Government Departments, and it seems to me that Parliament should not be immune from cost cutting. Does my right hon.

[Adam Afriyie]

Friend agree that we need a debate on reducing the cost of administration by IPSA? If so, should the debate be in Government time or in Backbench Business Committee time?

Sir George Young: The second half of the question is easy: it should be in Backbench Business Committee time. On the first part, the House of Commons Commission has made it clear that over the period of the spending review we should reduce our costs by at least 17.5%. The House will have seen a document circulated by the Clerk of the House, outlining some possible economies—although that does not cover the IPSA budget, which comes under a separate heading.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): The Leader of the House will be aware that yesterday in the High Court the Secretary of State for Communities and Local Government was found to have acted unlawfully in revoking regional spatial strategies. Rather than come to this House to apologise for his unlawful actions, for the damage he has caused to the housing industry, for confusing local authorities and for the cost to the public purse, the Secretary of State simply slipped out a written statement, misleadingly claiming that nothing much had changed. In reality, everything has changed: regional spatial strategies are back in force and, as the judgment makes clear, they might play a decisive role in determining any planning application, as local authorities must have regard to them. Can we have an urgent debate in Government time so that the Secretary of State can account for his actions and the restored force of regional spatial strategies can be affirmed?

Sir George Young: The right hon. Gentleman will have seen the written ministerial statement, which said:

"While respecting the court's decision, this ruling changes very little".

It went on to say that the chief planner had written to all the local planning authorities, confirming that they should

"have regard to this material consideration in any decisions they are currently taking".—[*Official Report*, 10 November 2010; Vol. 518, c. 16WS.]

The right hon. Gentleman will also know that later this month we will introduce the localism Bill, which will abolish regional strategies.

Jo Swinson (East Dunbartonshire) (LD): Tomorrow, the House will consider the excellent Sustainable Livestock Bill, but many MPs will be forced to choose between doing constituency work such as school visits, that can be done only on Fridays, and coming to the House to avoid the frustration of seeing a good Bill talked out by one or two MPs who happen to oppose it. On 15 June the Leader of the House said:

"The Procedure Committee ought to consider it"

the issue of private Members' Bills—

"in one of its first inquiries"—[*Official Report*, 15 June 2010; Vol. 511, c. 785.]

but nothing has happened. Is there anything that he can do to help the House to make progress on that reform?

Sir George Young: I understand the hon. Lady's dilemma. She will know that the Procedure Committee has announced that it will conduct an inquiry into the calendar, and it is within the remit of that inquiry to look at Fridays, private Members' Bills and whether they might be relocated to another part of the week. I therefore suggest that she pursue her case with my right hon. Friend the Member for East Yorkshire (Mr Knight), who heard what she said. It can be subsumed within the inquiry into sitting hours.

Ian Lucas (Wrexham) (Lab): Could we have an urgent debate about the future of police community support officers? Those widely respected individuals work throughout the country to support policing in their local communities, but we now hear stories of police authorities considering making their entire staff of PCSOs redundant. The Government have decided to cut police spending, so what will they do to allow us time to discuss that very important matter?

Sir George Young: Such decisions are essentially taken by local chief constables, but it is open to the hon. Gentleman to apply for a debate in Westminster Hall, where he can share with others his concern about the future of PCSOs. The Government's position is clear: we believe that economies can be made without affecting front-line policing.

Several hon. Members *rose*—

Mr Speaker: Order. The Leader of the House's brevity now needs to be matched by that of Back Benchers.

Mr David Nuttall (Bury North) (Con): Will the Leader of the House consider instituting an annual debate on the military covenant, which, may I suggest, could be held as near as possible to Remembrance day each year?

Sir George Young: I am grateful to my hon. Friend. He will have seen the coalition's programme for government document, which has a long paragraph about the military covenant. We are considering how best to rebuild and rewrite the covenant, and my hon. Friend has made an interesting suggestion.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Leader of the House will know that the whole concept of the big society is supposed to be based on volunteers, voluntarism, the third sector and charitable intervention. Could we have an early debate about the fact that, only six months into this new Government, the sources of funding for the third sector right across the piece have either been frozen or disappeared? Such activity is essential to any society. What is he going to do about it?

Sir George Young: I understand the hon. Gentleman's point; voluntary organisations face the same pressures as many other organisations in accessing funds, but not all voluntary work involves expenditure. Many people give their time for nothing, and I hope that the voluntary sector can respond to the challenges in the same way as everyone else is having to respond.

Peter Bottomley (Worthing West) (Con): Just after 1 o'clock on Millbank yesterday, I saw how some student leaders and some students reacted to the winding-up of

people at the front of the tuition fees demonstration. It brought to mind watching 14 people crushed to death in El Salvador, and seeing 39 dead bodies at the Heysel stadium when I was out there. Can we have a debate about the responsibilities of the leaders of demonstrations, so that they know that, if large numbers of people are pushed together, with the people at the back pushing forward and with riots at the front, there will be fatalities?

Sir George Young: My hon. Friend makes a good point, and fortunately there were no really serious injuries yesterday, but there could have been. May I suggest that he raises his concern in a few moments' time with the Minister for Policing and Criminal Justice who is to make a statement about what happened yesterday?

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): Cumbernauld house is a magnificent piece of 18th century William Adam architecture situated in the heart of Cumbernauld new town, and the active local citizenry wishes to purchase it for the community and the long term. Can we have a debate about how the big society can help with such asset transfers?

Sir George Young: If there is a role for any Minister to play in agreeing to that transfer, I shall draw it to the attention of whichever hon. Friend it might be, but I suggest that the hon. Gentleman write to the appropriate Minister in order to pursue his case.

Andrew George (St Ives) (LD): Mrs Dalia Nield, an experienced and respected surgeon, has apparently been threatened by Rodial Ltd with a libel suit because she told a daily newspaper that Rodial's £125 "boob job in a bottle" cream was "highly unlikely" to work, "potentially dangerous" and might even harm the skin and the breast. Will the Leader of the House commit to libel reform in this Session? Libel threats against scientists and doctors, such as Mrs Nield, Simon Singh and Dr Peter Wilmshurst, have the effect of suppressing the advice of experts and doctors.

Sir George Young: I am grateful to my hon. Friend, who has raised a really serious issue. The coalition Government intend to introduce a defamation Bill during this Session.

Steve McCabe (Birmingham, Selly Oak) (Lab): Can we have a debate about the House's attitude to the barbaric policy of ritual stoning to death in Iran, and can we use that debate to hear the Leader of the House's response to the call by Birmingham Conservative councillor, Gareth Compton, for the stoning to death of the journalist Yasmin Alibhai-Brown? Will such disgraceful behaviour be tolerated?

Sir George Young: Stoning to death is a barbarous form of punishment, which the Government and I am sure all Members deplore. I hope that no elected person will threaten any member of our society with that sort of punishment.

Philip Davies (Shipley) (Con): Warming to the theme of the question on food labelling from my right hon. Friend the Member for East Yorkshire (Mr Knight), I wonder whether the Leader of the House is aware that many retailers sell halal food to their customers without telling them. Further to the request by my right hon. Friend for a debate about food labelling, will the Leader of the House add that issue to any such discussion?

Sir George Young: Any debate that we have about food labelling will be broad enough to encompass the specific issue that my hon. Friend has just raised. It strikes me as a suitable subject for a debate in Westminster Hall.

Kevin Brennan (Cardiff West) (Lab): We still need a debate about civil service recruitment. I have received a reply from the Cabinet Secretary, after raising that issue with the Leader of the House a couple of weeks ago, and the response makes it clear that the coalition Government have been trumpeting the fact that they have recruited fewer special advisers, while recruiting their cronies on two-year civil service contracts and sacking permanent civil servants. Is that not just immoral?

Sir George Young: No, what we are doing is exactly what the previous Government did. There are some 90 people employed on short-term contracts in the Cabinet Office, and more than 50 of those were put in place by the previous Government. What we are not doing, which the previous Government also did, is putting civil servants under the line management of special advisers such as Jonathan Powell and Alastair Campbell—something that is now outlawed under the Constitutional Reform and Governance Act 2010.

Mr Peter Bone (Wellingborough) (Con): Over the next five years our contributions to the European Union will increase by a staggering £17.5 billion. At the same time, we will be building aircraft carriers with no planes because of defence cuts. Can we have a debate entitled, "Subsidising Belgium, Luxembourg, Malta, Spain and Portugal at a time when we are making defence cuts is bonkers"?

Sir George Young: My hon. Friend will see that the next business is the presentation of the European Union Bill. When we reach its Second Reading, he may be able to make his contribution and get a robust response from one of my right hon. Friends.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): Can we have an urgent statement from the Government following their decision yesterday to overrule the advice of Ofcom and fail to grant STV independent production status? It flies in the face of the advice that they were given, and it represents the Secretary of State for Scotland's abject failure either to stand up for or to represent the interests of an iconic and well-regarded broadcaster in Scotland, whose very future is now in doubt.

Sir George Young: Of course I understand the hon. Gentleman's concern. I shall raise with my right hon. Friend the Secretary of State for Scotland the point that he has just made and ensure that my right hon. Friend writes to him very soon.

Andrew Stephenson (Pendle) (Con): Following the news in the past 48 hours from China that the Prime Minister's trade mission has helped to secure a £750 million

[Andrew Stephenson]

deal between Rolls-Royce, the biggest employer in my constituency, and China Eastern Airlines, can the Leader of the House tell us whether there will be an oral statement on the success of that trade mission?

Sir George Young: My right hon. Friend the Prime Minister will make a statement on the G20 on Monday and of course will be available on Wednesday for Prime Minister's questions. He did take the biggest ever UK ministerial delegation to China, and I am delighted to hear of the order that has been secured, which will provide employment for my hon. Friend's constituents.

Ian Lavery (Wansbeck) (Lab): Another young life was tragically lost in my constituency last week owing to knife crime. Can the Leader of the House tell me what his Government are doing to tackle such heinous crime, and will he make a statement?

Sir George Young: The Ministry of Justice will shortly publish a paper on sentencing policy, and that may be the right forum for the hon. Gentleman to pursue his concerns about victims of knife crime.

Mr Philip Hollobone (Kettering) (Con): The European Union Bill will be presented after business questions. Despite the fact that, for some strange reason, its name has been changed from the "Sovereignty Bill", will my right hon. Friend ensure that there is time for the European Scrutiny Committee to give the Bill its necessary pre-legislative scrutiny, and that there is no timetable motion for the Bill's proceedings on the Floor of the House?

Sir George Young: This is an important constitutional Bill that I would anticipate being taken on the Floor of the House. My hon. Friend the Member for Stone (Mr Cash), who chairs the European Scrutiny Committee, has just handed me a letter asking for more time before we reach Second Reading so that his Committee can conduct an inquiry. I will of course reflect on that letter, which has only just reached me, and respond in due course.

Mr Gerry Sutcliffe (Bradford South) (Lab): Will the Leader of the House have a word with the Home Secretary and tell her that it is unacceptable that she has not answered the questions put to her by my right hon. Friend the shadow Home Secretary during her statement on aviation security on 1 November? She said that she would write to him, but she has not done so, and the answers to some of those questions are now out there in the media. Is that not disrespectful to the House?

Sir George Young: I understand that that matter was raised on a point of order yesterday, and I know that inquiries were being made of the Home Office in order to make progress. I will pursue those inquiries with added urgency today.

Mr William Cash (Stone) (Con): The European Union Bill, about which I wrote to the Leader of the House earlier today, is a Bill of immense constitutional importance. We need to have adequate time to consider it, not least because the Minister for Europe has said that he will give one month's notice, which is wholly inadequate. We will be taking evidence, on an even-handed basis, from those on all sides of the argument and from the public. I think that the public would be extremely concerned if they knew that adequate time for such consideration was not given, particularly in view of what my right hon. Friend has just said about the Bill's consideration on the Floor of the House, which means that it will be the only opportunity for people to have a proper examination of this vital issue.

Sir George Young: As I said a moment ago, my hon. Friend has just handed me a letter that makes the case for more time so that his Committee can examine the Bill. I will of course reflect on the contents of what he has said. I need to consult my colleagues, and I will write to him as soon as we have reached a decision.

John Cryer (Leyton and Wanstead) (Lab): Has the Leader of the House seen early-day motion 976?

[That this House notes with concern the removal of a fire engine from Leyton Fire Station by the London Fire and Emergency Planning Authority (LFEPA) during the recent industrial dispute; further notes that the pump has not been returned to Leyton and remains in the hands of AssetCo; and calls on the LFEPA to return the pump to Leyton immediately.]

The EDM refers to Brian Coleman, the spectacularly charmless leader of the London fire authority, who has nicked 27 fire engines from across London and stuck them somewhere near Ruislip. I am not making this up. That is not only wrong but probably illegal. Can the Home Secretary come to the House and make a statement about this, because at least she is probably in a position to find out what the hell is going on?

Sir George Young: I understand the hon. Gentleman's point, and I have seen the early-day motion. I think that we would expect him to urge the Fire Brigades Union to call off its strike so that that sort of precautionary action was no longer necessary.

Albert Owen (Ynys Môn) (Lab): Now that the Deputy Prime Minister should be regretting turning his back on making the pledge on tuition fees, is it not appropriate to have a debate on the recall mechanism for MPs, on which he was very keen? That would allow students and communities across the United Kingdom to pass judgment on the Deputy Prime Minister.

Sir George Young: The Government will be bringing forward a Bill to permit the recall of Members of Parliament for serious wrongdoing, but I do not envisage that it will cover the activities that the hon. Gentleman touched on. There is a coalition commitment to having legislation on the recall of MPs.

Mr Iain Wright (Hartlepool) (Lab): Fishing remains an important part of this country's economy, yet the operators of some under-10 metre boats in my constituency are struggling financially. It is traditional, around this time of year, to have the annual fishing debate on the Floor of the House prior to the setting of quotas. Can the Leader of the House confirm that that will happen this year?

Sir George Young: The hon. Gentleman will know that under the recommendations of the Wright—no relation—Committee, responsibility for finding time for those sorts of debates has been transferred to the Backbench Business Committee. If he wants the annual debate on fishing and fisheries, he needs to make his case to the Chair of that Committee, the hon. Member for North East Derbyshire (Natascha Engel), who is sitting two places away from him, because responsibility for finding the time now rests with her.

Huw Irranca-Davies (Ogmore) (Lab): The House was expecting today a statement on rail electrification to south Wales. Can the Leader of the House tell us what has happened to that statement and when we will we see it? Is there any truth in the allegation that the delay in the statement is because rail electrification to Swansea is now going to stop at Bristol?

Sir George Young: I do not think that there is any substance whatsoever in that allegation. My right hon. Friend the Secretary of State for Transport made a statement on roads a few weeks ago in which he said that there would be a statement on rail investment, and there will be such a statement shortly.

Natascha Engel (North East Derbyshire) (Lab): Will the Leader of the House be in his place at the beginning of Back-Bench business today in order to hear, for the very first time, the launch of the Select Committee Chair's report by my right hon. Friend the Member for Barking (Margaret Hodge), the Chair of the Public Accounts Committee? Furthermore, will he join the Backbench Business Committee in helping us to develop a procedure whereby we can ensure that whenever Select Committee Chairs want to launch a report, they do so in the Chamber as a regular feature?

Sir George Young: I am delighted to see this item on the Order Paper. When I was in opposition, I advocated breaking the monopoly that Ministers have on making statements and allowing Select Committee Chairmen to present their reports on the Floor of the House. I am delighted to see that that recommendation is being carried forward and that there will be such a launch of a report later today. I am writing to the hon. Lady to ensure that we get the template and the Standing Orders right so that this exciting experiment can go from strength to strength.

Mr Speaker: I am grateful to the Leader of the House and to colleagues for their succinctness, which enabled everyone who wanted to contribute to have the chance to do so.

Welfare Reform

12.15 pm

The Secretary of State for Work and Pensions (Mr Iain Duncan Smith): With permission, Mr Speaker, I should like to make a statement on welfare reform. Let me say in advance of that that I have tried to give the shadow Secretary of State, the right hon. Member for Paisley and Renfrewshire South (Mr Alexander), as much time on this as possible, and I am open to more questions. I thank him for his co-operation in that.

In this House in October, I set out our resolve to secure a welfare system that I said should be fit for the 21st century, where work always pays and is seen to pay by those who are engaged in it. Following consultation since then, a broad positive consensus has—I think—emerged. That consultation ranged very widely, from Citizens Advice to the Institute for Fiscal Studies, and across the political divide as far as we could go.

The White Paper that we are publishing today therefore sets out reforms that will, I hope, ensure that people will be consistently and transparently better off for each hour they work and for every pound they earn. We will cut through complexity to make it easier for people to access benefits. The intention is to cut costs, reduce error and do better at tackling fraud. The detail is published today, and the White Paper should be available in the Library. Let me take this opportunity to thank all those in the Department and beyond who have helped to build and write it, working very long hours to make sure that we could get it out today.

Perhaps I could take this opportunity to remind the House of exactly what problem we are trying to solve. It does not relate to any sort of party political point; we are dealing with a structural issue that has grown throughout successive Governments. Five million people of working age are on out-of-work benefits; 1.4 million people have been on out-of-work benefits for nine of the past 10 years; 2.6 million working-age people are claiming incapacity benefits, of whom about 1 million have been claiming for a decade; and almost 2 million children are growing up in workless households—one of the worst rates in Europe.

Some have said recently that it is not reform that is necessary or important, but jobs. Well, this is a long-standing problem in our country. We have a group of people who have been left behind, even in periods of high growth. That is the issue. Even as 4 million jobs were created over 63 quarters of consecutive growth from one Government to the next, millions of people in Britain remained detached from the labour market. Some 4.5 million people were on out-of-work benefits before this recession even started, notwithstanding the growth in jobs that I referred to. These reforms are about bringing them back in. I want them to be supported and ready to take up the 450,000 vacancies that even today, as we begin to emerge from recession, are available in the economy. It is also worth reminding the House that of all the jobs that were created, the vast majority, in terms of net take-up, were taken by people coming in from overseas, because businesses could not get people in this country to do the work and therefore had to seek people elsewhere.

The key to solving this problem is to solve the wider social problems associated with worklessness. The measures in the White Paper to get this process under way are the

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first key strand of our welfare reforms. By creating a simpler benefits system, we will make sure that work always pays more than being on benefits. By reducing complexity, we will reduce the opportunities for fraud and error, which currently cost the taxpayer approximately £5 billion a year.

I think that everybody in the House would accept that work is ultimately the best route out of poverty. At present, some of the poorest people who take modestly paid jobs can risk losing £9 or more out of every £10 extra they earn. The universal credit must put an end to some of the perverse disincentives that make it so risky for the poorest to move into work.

The highest marginal deduction rates for in-work households will fall from 95.8% to an absolute limit of 76.2%—that is with the conjunction of tax and the withdrawal—and there will be a single taper rate of about 65% before tax. That means that about 1.3 million households facing the choice of whether to move into work for 10 hours a week should see a virtual elimination of participation tax rates of over 70%. With single tapers and higher disregards, the system will be simpler and easier and people should be able to keep far more cash in their pockets when they move into work.

The guarantee will—I hope—be crystal clear: if people take a job, they will receive more income. Some 2.5 million households should get higher entitlements as a result of the move to the universal credit, and the new transparency in the system will produce a substantial increase in the take-up of benefits and tax credits. Taken together, we estimate that those effects will help lift as many as 350,000 children and 500,000 adults out of poverty. That is just our analysis of the static effects of reform. Analysing the dynamic effects is not always easy, and it is often best done in retrospect, but we estimate that the reforms could reduce the number of workless households by around 300,000.

Let me also provide assurances about the transition. We will financially protect those who move across to the universal credit system. There will be no losers.

Mr Dennis Skinner (Bolsover) (Lab): For how long?

Mr Duncan Smith: For ever.

A far simpler system, which operates on the basis of real-time earnings, will also reduce the scope for underpayments or overpayments. We all know from our experience as constituency MPs that that can create anxiety and disruption, and can prove very difficult to correct. Our simplification and reform will help to end that particular problem. As well as reducing official error, these changes will also make life far more difficult for those who set out to defraud the system. They are a very small group of people, but they are there none the less.

The system will be simpler, safer, more secure, fairer and more effective, but it will require investment. Some £2.1 billion has been set aside to fund the implementation of the universal credit over this spending review period, and I have been assisted in that work by my right hon. Friend the Chancellor, who has agreed to and guaranteed the investment programme.

This is not just expenditure; it is also investment. We are investing in breaking a cycle of welfare dependency, which I believe is a price worth paying. The universal credit will provide a huge boost to individuals who are stuck in the benefit trap, reducing the risk involved in taking work and lifting 850,000 people out of poverty in the process. That investment will produce a flow of savings, as a simpler system will help to drive out more than £1 billion of losses due to fraud, error and overpayments each year. On the wider economic considerations, dynamic labour supply effects will produce net benefits to this country, as greater flexibility helps businesses and fuels growth, particularly in the high street. We will invest the £2.1 billion provided in the spending review 2010, seeking a multi-billion pound return.

That is how we will make work pay, but as I said earlier, and as our document states, it simply will not be enough. We also have to support people as they make their move back to work, and the two issues cannot be separated. That is why we are moving ahead with our new Work programme, which will provide integrated back-to-work support. It will pick up and bring together many of the programmes that were in place before, and add to them to create a comprehensive system of support. That is why we have already started a three-year programme to reassess the 1.5 million people who have been abandoned for years on incapacity benefit. The Opposition started that process before the election for the flow of new claims, and we are now trialling it in two cities.

Essentially, this is our contract: we will make work pay and support people to find a job through the Work programme, but in return we expect co-operation from those who are seeking work. That is why we are developing a regime of sanctions for those who refuse to play by the rules, as well as targeted work activity for those who need to get used to the habits of work. That will be a selective process, targeted at those who need to do it, not at everybody. It will be targeted as required, using the understanding and knowledge of those based in jobcentres.

Furthermore, evidence from the already existing work capability assessment, which the last Government started, shows that 36% of people withdrew their applications before reaching the stage of being assessed. The knowledge that they are likely to be assessed has a stark effect on those who may be trying to defraud the system. That underlines the effect that the system could have on those who are currently working while claiming benefits.

This new contract, in which we do our best to help people find work, to make them work-ready, to make work pay and to say that they will always be better off in work than on benefits, is a fair deal for the taxpayer and a fair deal for those who need our help. I commend the reforms in the White Paper to the House.

Mr Douglas Alexander (Paisley and Renfrewshire South) (Lab): I thank the Secretary of State for his statement, for advance sight of it and for his personal helpfulness and co-operation preceding it.

I will deal directly with the principles underlying the universal credit. Both our parties want a simplified benefit system in which less money is clawed back as people move into work. That is why I have been very clear since I started in my position that if the Government get the approach right, we will support them. Pension

reform was the subject of significant cross-party working in the last Parliament, and I sincerely hope that welfare reform can be in this Parliament. The right hon. Gentleman can count on Labour's support when he is pursuing laudable aims, even when it appears that he cannot count on the support of his own Chancellor.

In office, we introduced the working tax credit, which substantially reduced the marginal deduction rates. It halved the number of people facing marginal deduction rates of 90% or more. The Secretary of State has just mentioned that matter. From reading his work in opposition, one cannot fail to see some of his ideas as welcome steps. His dynamic welfare paper promised a 55% taper rate, lower marginal deduction rates for every family, £2 billion a year more going into the pockets of families and £500 million a year less being spent on administration.

The Secretary of State now appears to want to set a taper rate for the universal credit of 65%, 10 percentage points less generous than he advocated in his previous paper. The impact of that was described by his own Centre for Social Justice thus:

"Setting it higher than 55% would increase MTRs"—

marginal tax rates—

"for those working households in receipt of benefits other than Housing Benefit (even if their net income was higher than today). As a result, there would be a negative impact on earnings, and on the number of second earners in employment."

From an initial inspection of what we have been offered today, it seems that in this Parliament we will get a higher taper rate, higher marginal deduction rates for some families, no additional money overall going into the pockets of families and a £2 billion increase in administration and start-up costs. Is that proof that there is no plan so worth while that the current Chancellor of the Exchequer cannot delay or damage it?

There is real concern that some of the measures imposed on the Secretary of State in return for allowing the universal credit to proceed are contradicting the policy aims that he has set out today. On the Government's own figures, because of the June Budget 20,000 more people next year will face marginal tax rates of 90% and 30,000 more will face rates of over 70%. That is because of the Government's plans to increase taper rates for tax credits. We must remember that phase 1 of the implementation plan for his dynamic benefits plan was to reduce tax credit taper rates from 38% to 32%. From this March, the Government are increasing the taper from 38% to 41%.

The small print of the Green Paper published in the summer read:

"The changes in the June 2010 Budget will increase the maximum Marginal Deduction Rate to 95.95 per cent."

That is before even taking into account changes in the spending review, such as real-terms cuts in working tax credit and top-up low wages. Can the Secretary of State explain the approach that his Chancellor is adopting, and can he guarantee that as a result of these changes no one will have a higher marginal deduction rate? Will he tell the House whether anyone—for example, people who currently receive tax credits but not housing benefit—will face higher marginal deduction rates under his approach?

According to the IFS, of which the Secretary of State spoke approvingly in his statement, the tax credit and benefit changes announced in the June Budget mean that the poorest two deciles of the population will lose about 2% of their incomes over the coming Parliament, more proportionately than the rest of the population. Can he therefore inform the House whether all the analysis being bandied around today about out-of-work households moving into work and children being lifted out of poverty is relative to the position today, or only to the position after the substantial losses that people will face because of the Government's already-announced cuts to benefits in this Parliament? Can the right hon. Gentleman simply provide the figures for this Parliament? Do the Government expect child poverty to have fallen or risen by the end of this Parliament? The Office for Budget Responsibility predicts that an extra £700 million will be spent on unemployment benefits because a longer dole queue following the June Budget has consequences for the welfare bill.

The right hon. Gentleman has allowed all this to happen in return for the Treasury allowing him to spend £2 billion on the new system. Can he give us today the breakdown of the £2 billion secured for the implementation of the universal credit—the IT breakdowns and the transitional costs for affected families? Can he pledge that he will not raid any other part of his departmental budget in this spending review for this purpose if it turns out that that money is insufficient? How does the right hon. Gentleman respond to reports in *The Times* today that he will need to secure another £2 billion on top of the £2.1 billion that he referred to in his statement to guarantee his pledge, which he repeated to the House today, that

"There will be no losers"?

Is the Treasury underwriting the promise that he has just given the House?

To conclude, securing headlines—I have to admit that my colleagues and I came to understand this over 13 years—is a lot easier than securing reforms. This morning, the Secretary of State said in an interview on the radio:

"This is about saying to people: if you try, if you co-operate, if we work with you and work pays and you still can't get a job then our duty is to support you."

How can he possibly reconcile those words with the plans his Government have announced to cut 10% of the housing benefit of anyone who cannot find work within a year, even if the jobcentre thinks that they are taking all the correct measures? When he gets to his feet, the Secretary of State can perhaps explain to the House how he justifies that measure, whether it is set to continue permanently within the planned universal credit and, frankly, how it fits with the principles that he set out on the radio this morning.

Mr Duncan Smith: I am glad that the right hon. Gentleman spent so much time saying how much he supported this measure—that is really helpful. He then dwelt on a lot of things that were not necessarily relevant to it, but I will come to those none the less.

I am sorry that the right hon. Gentleman seems to be less than positive. I had hoped that he would consider this to be a major change, which would benefit the very people he says he is in favour of supporting. There is absolutely no question but that this measure will support and improve the quality of life of those who are likely to be affected. When he gets to the White Paper, I would

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draw his attention to a chart on page 53, which shows that the bottom deciles—this is from the moment that he left office right the way to the moment set out in the chart—will actually improve their life quality dramatically, taking all matters into consideration and sweeping all the way up to the moment we implement this. The poorer will be better off, and I wish the right hon. Gentleman could have taken the opportunity to welcome that. That is the reality for him and his party, and if I were in his position, I would have been a little more positive.

We believe that child poverty will fall. Let me just deal with the story in *The Times* about the money, which the right hon. Gentleman mentioned. The fact is that the £2.1 billion is a full envelope for spending review 10; it is absolutely enough to get us to that point. I said to the right hon. Gentleman privately, and I say again publicly, that as we implement these measures over three years of this Parliament and a further two years of the next Parliament, more money will, of course, be required, and that is guaranteed, but we will come to that in the spending review for the next spending review period. *[Interruption.]* Yes, it will be guaranteed, because we have to implement this programme.

Within that £2.1 billion, we will also invest in setting up essential IT systems. The right hon. Gentleman knows, because we have spoken about this, that these are medium-level IT systems. Even in his time, the Department for Work and Pensions handled these systems very well, and there were no problems with them at all. The money will also be used to support the running of the new system and the migration of current benefit and tax credit recipients from today's system. Within that, we will also guarantee, as I said, that nobody loses out.

On the IT challenge that we dealt with, I remind the right hon. Gentleman that, even in his time, we managed to implement some very similar projects and to operate them very well. This is by no means a monolithic system like the Rural Payments Agency or the National Offender Management Service. During his time, the DWP had a strong record of successful IT delivery on systems such as the employment support allowance system, which was roughly on the same scale, and the pension reform system. Both were similar IT systems and both were managed without any particular problems. We are determined that the IT situation will be managed very well, and that we will be able to complete the process.

The support that, as the right hon. Gentleman says, we will give to those who are transiting is covered in the £2.1 billion. I repeat that we will protect those people who, for particular reasons, find themselves on slightly lesser moneys for as long as they stay in that situation. As they move up, they will gain dramatically. Even if they were to fall back, relative to where they were, they will gain dramatically. The reality, I hope, for the Opposition, as they think this over carefully, is that even if they were to return to power, this system would benefit those people.

The right hon. Gentleman asked me about the taper rate. The taper rate that we talked about when I was at the Centre for Social Justice was an optimum taper rate with everything taken into consideration. The taper rate itself involves a decision, which a Government of any hue would take, about how to set the balance between what we can afford and how much we will be able to give people as they go back into work. The real issue here is not that the taper is 65%. Even with 65%, all those who go back into work will be better off as they work through the hours. If the right hon. Gentleman is saying to me that he would prefer a 55% rate if he were in power, that is fine. He just has to tell me where he intends to get the money from, and that is the issue I have not heard him or his colleagues say anything about since they left us with the worst budget deficit in living memory. I only ask the right hon. Gentleman and his colleagues to think of this as a positive measure. Even if they were in power right now, it would help the poorest in society absolutely dramatically.

Several hon. Members *rose—*

Mr Speaker: Order. There is much interest in this statement, but great pressure on parliamentary time, so brevity from Back-Bench and Front-Bench Members alike is essential.

Mr Roger Gale (North Thanet) (Con): The introduction of workfare is about 25 years overdue. I congratulate my right hon. Friend on grasping that nettle and I hope that he will not let go of it. One aspect that he did not touch on was the operation of the jobcentres. Jobcentres are no longer jobcentres, but benefit-processing centres. Will he say just a little about how he intends to address that issue?

Mr Duncan Smith: I understand the point that my hon. Friend is making. The reality is that we will reform the whole jobcentre process to make sure that it dovetails with what we are trying to do. Yes, of course, there are areas where some of the advice that is given is not always necessarily of the highest quality, but most jobcentres, and most of the people who work in them, are determined to help the individuals they meet, to advise them properly and to get them back into work. Of course, the Work programme will include private and voluntary sector organisations, so we will tap into the very best qualities and skills that lie outside the jobcentres. My hon. Friend should rest assured that this will only get better.

Miss Anne Begg (Aberdeen South) (Lab): The creation of a single working-age benefit is the holy grail of welfare reform, and the Government will need to be congratulated if they can pull this off, especially if they fulfil their promise that there will be no losers. I am sure that the Work and Pensions Committee, which I chair, will watch the issue carefully. However, I am still not clear as to where the tax credit system fits into the universal credit. The Secretary of State did not answer the questions from the shadow Secretary of State about where they will fit. Will there, for instance, be a single application form to cover the Treasury-delivered benefits and the DWP benefits?

Mr Duncan Smith: The problem right now is that when people make applications, they have to make at least two completely separate applications at the same time if they are going back to work. There is literally no communication between HMRC and the DWP about what they are sitting on and what they are making their

calculations about. That is why the reconciliation at the end of the year is so gross and why we so often have major overpayments and then try to claw money back. The purpose of these proposals is to bring everything together so that we have one single point from which to take information. Therefore, the tax credit system and the DWP system will come together to create this single taper withdrawal. In future, as people's circumstances change as they go into work—in the past, if they did not inform HMRC or the DWP, they might have been overpaid because they did fewer hours—the information will automatically cascade back to the centre, and we will know what people are doing, so they will be paid exactly what they are meant to be paid. There will be no chase for the money at the end of the year, which, as the hon. Lady and many others know, causes fear and worry among far too many constituents who find that they have been overpaid and have to pay the money back.

Mr Peter Lilley (Hitchin and Harpenden) (Con): May I congratulate my right hon. Friend on his ambitious programme of welfare reform? Among the most important components in it are the steps that he is taking to overcome one of the greatest problems in the system, which makes people reluctant to take work when it is available. Not only might people not earn much more in work than on benefits, but they fear that the job they take might be short-lived and that they might then find it difficult to get back on to benefits if they become unemployed again. Will my right hon. Friend spell out what that involves and, in particular, how he will tackle the problem of people fearing that they might lose housing benefit?

Mr Duncan Smith: My right hon. Friend is absolutely right. One of the great fears that people have, particularly in respect of housing benefit, is that it can take a month or so before they get their benefit back as they come out of work. Because that will be included at the point at which they make the application and because that is tapered into the benefit, there will be a seamless change or transfer. As they come out of work, they will do so with their gross amount exactly as it should be—the thing that will change is the level at which they taper. In other words, the amount will be what they are necessarily paid in benefits. They will not suddenly have to make a reapplication—there will be a seamless process—which should get rid of exactly the fear that my right hon. Friend talks about.

Kate Green (Stretford and Urmston) (Lab): Like my hon. Friend the Member for Aberdeen South (Miss Begg), I congratulate the Government on their intentions to make work pay and simplify the system. I very much wish that project well.

The Secretary of State will be well aware of Labour Members' concerns that spending announcements to date have hit women twice as hard as men. Will the universal credit be assessed on a household basis? If so, what assessment has he made of the impact of moving money from purse to wallet within that model and of the impact on women?

Mr Duncan Smith: The system will assess at household level, but of course, the beauty of that is that we will understand better what household needs are. Two things that will hugely benefit women will flow from that. First, in knowing what that household should have, we will have a much higher take-up rate. Therefore, the in-work poverty that has been terrible until now will hugely be resolved. The second aspect that is really good for women is that, as the hon. Lady knows, many women who have caring responsibilities do short-hours work. The proposal will hugely benefit them because they will retain more of their income as they go into work. They will be beneficiaries, which I hope helps her.

Jenny Willott (Cardiff Central) (LD): I, too, welcome today's announcement, particularly the expected effect on poverty and especially child poverty. This is a critical reform—as the hon. Member for Aberdeen South (Miss Begg) said, some of us on the Work and Pensions Committee have been pressing for it for a number of years.

Who will run the mandatory Work programme? Will that involve third sector partners? How will the Secretary of State ensure that the programme remains distinct from the community sentence programme?

Mr Duncan Smith: The Work programme will start well in advance of today's proposal—we anticipate that it will start next summer. There will be a set of contracts on a regional scale that will involve the private and voluntary sectors. Organisations will run programmes against a set of outcomes, for which we will pay them, so that as they deliver and get more people back to work, they will be paid for those results. That will be carefully balanced so that we do not pay them for dead-weight costs that might otherwise have been in the system, but it will certainly be clear.

Malcolm Wicks (Croydon North) (Lab): I welcome very strongly the strategic direction of the Secretary of State's statement, but comparisons will inevitably be drawn with the 1940s. That should remind us of the importance of the work ethic and the fact that citizens have both rights and duties when it comes to benefits and work. It also reminds us of the importance of employment policy. I say that not in a partisan spirit, but because I think there is a real difficulty. Churchill's coalition Government and Attlee's Labour Government took measures to move towards full employment—with great success. When a Government take 1 million jobs out of the economy, both public and private sector, does the Secretary of State understand my concern about the chances of success of the good strategy announced today?

Mr Duncan Smith: I am grateful for the right hon. Gentleman's words of welcome—I particularly value them because I am a huge admirer of his, as he knows. He is right to draw the parallel with the 1940s, not for anything to do with Beveridge, but simply because high withdrawal rates were possible in the system that was set up at that time because the people involved were mostly men who were either in work or out of work—there was very little part-time work in that sense, so withdrawal rates had no effect. Today, because of the nature of part-time work, withdrawal rates cause real problems for people, particularly as they go back to work.

On jobs, I simply say this: yes, as the economy grows, those jobs will be created, but let us not forget that in the past three months, over 1 million jobs went through my jobcentres, and 450,000 jobs rotate through them every week.

Tracey Crouch (Chatham and Aylesford) (Con): Unfortunately, there has been much scaremongering about the impact of welfare reform on those who are disabled or who have mental health conditions. Will the Secretary of State assure the House that the most vulnerable members of society will still get the support that they need?

Mr Duncan Smith: Yes, I can give such an assurance to my hon. Friend. We have for some time needed to simplify and streamline the current disability payments and to target the support obviously and particularly on the most severely disabled people through the universal credit, which will happen, and through reform to disability living allowance. DLA will not be incorporated into the universal credit—it will continue as a separate allowance because it is non-work related. I can promise her that that is uppermost in our minds in the design of the system.

Glenda Jackson (Hampstead and Kilburn) (Lab): The Government and employer organisations have confidently asserted that the expected huge rise in unemployment owing to job losses in the public sector can and will be ameliorated by the creation of jobs within the private sector, albeit neither can put a time scale or numbers on that assertion. Will the Secretary of State guarantee that the changes will not be used by employers in the private sector to drive down wage levels to at or below the national minimum wage?

Mr Duncan Smith: May I first of all say that I hope Labour Members do not simply continue to hope for the worst and preach? The reality is that even in the past few weeks and months, there have been more than 300,000 new private sector jobs. As I said, more than 1 million jobs went through the jobcentres in the last three months and were found for people. Today's statement is about making people better off. If I were sitting where the hon. Lady is sitting, I would say, "How wonderful if the bottom three deciles improve their incomes." The hon. Member for Bishop Auckland (Helen Goodman) may laugh, but in her time in the Government, they spent money and failed and left us with a deficit. Labour Members should apologise for that.

Robert Halfon (Harlow) (Con): I congratulate my right hon. Friend on his statement, particularly as the previous Government's approach to welfare reform was more Ethelred the Unready than Nixon in China. Is he aware that more than 8,000 people in my constituency are on out-of-work benefits? That is one in 10 people. Will the Minister assure them that the universal credit will protect the most vulnerable and give others a real incentive—more money, not less—as they find jobs?

Mr Duncan Smith: The universal credit is about what happens to people as they seek and go back to work. Benefit levels for disabled people—whatever their condition—will continue and be maintained. Those who need support will receive it, but the most beneficial thing for people in my hon. Friend's constituency is simply this: we are at last going to try to get to that group who have been left behind. More than 5 million people were left behind without jobs in workless households during the high years, with children in poverty. That is what we hope to break. I hope that that is seen as a positive message.

Several hon. Members *rose*—

Mr Speaker: Order. Let me remind colleagues of the need for economy if we are to accommodate as many people as possible.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I applaud the Secretary of State for his announcements today and for his efforts to incentivise work, but I still have an arithmetical problem despite his answers to previous questions. I am struggling to see how 450,000 job vacancies divide into the 5 million people that the reforms aim to help. I am hoping that he can explain.

Mr Duncan Smith: This universal credit comes in over a period of four or five years. In the time over which it is implemented, even under the hon. Lady's most pessimistic forecasts, the British economy will grow and create more jobs. The Office for Budget Responsibility, which is independent, forecasts growth of some 2.5%, which will lead to much higher numbers of private sector jobs. The reality is that we must prepare the ground. The important thing is that people are better off as they go to work and take those jobs. The point of the proposals is to break the cycle of people saying, "It's not worth me going to work and it is worth me staying on benefits, because work does not pay." The proposal is about work paying.

Mark Lancaster (Milton Keynes North) (Con): What specific measures will the Government introduce to help disabled people to get into work?

Mr Duncan Smith: As my hon. Friend knows, there is a slightly complex group of benefits and supplements with respect to disability. DLA is non-work related, but there are disability supplements for jobseeker's allowance. Many of the disability organisations that we consulted said that the one thing they hoped for from the reforms is that the Government value disabled people, which we believe we do, and give them a chance to go back to work. Apart from the fact that we are creating work choice, the key thing is that the taper rate comes with a disregard. If we give disabled people on the universal credit a larger disregard on their income, we give them more money, which allows them a beneficial position as they go back to work.

Mr Kevan Jones (North Durham) (Lab): The Secretary of State knows that work is good for people's mental health, but he will also recognise that many people who have severe, long-term mental health problems find it difficult to keep permanent employment. What reassurance can he give that such people will not be discriminated against by the benefits system or by employers?

Mr Duncan Smith: I completely agree that such discrimination is unforgivable, and we have to change such attitudes if they exist. The real beauty of our proposals is that we will be able to adjust rates according to people's incapacities. So individuals with particular problems or disabilities will be much more valuable in the workplace than they are now. That is the one thing that the organisations said to us—that those people want to be in the mainstream and in work like everyone else. Our proposals will help that more than anything we are doing at the moment.

Mr Philip Hollobone (Kettering) (Con): May I congratulate my right hon. Friend on his statement? My constituents in Kettering will be right behind him. Often the difference between making more money in work and lounging around on benefits at home is the travel costs to and from work. How will they be taken into account in the calculations?

Mr Duncan Smith: My hon. Friend is right about travel costs. The key point is that if someone going to work retains significantly more money, their travel-to-work costs become much more affordable. Therefore they are able, as other people in work do, to make decisions about travelling to a job over a slightly longer distance. That will be wholly beneficial to those who are out of work.

Sheila Gilmore (Edinburgh East) (Lab): In his statement, the Secretary of State used the fact that 37% of ESA claimants did not proceed to full assessment to insinuate that people were withdrawing their claims because they were trying to cheat the system. Current ESA claimants are people who have newly fallen sick, and they are not long-term claimants. Most of them recover from their illnesses during the assessment period and get back into work, so I ask the Secretary of State to withdraw that assertion.

Mr Duncan Smith: I made no such assertion. What I was demonstrating was that if you put a check in place and ask people to demonstrate their situation, those who are bent on a different purpose will naturally fall out. I used the last Government's work capability assessment programme to illustrate how that affects new entrants. I was by no means casting aspersions on anybody who is going through the programme, because they deserve what they get.

Tony Baldry (Banbury) (Con): Many of those who are out of work will need to update existing skills or acquire new skills to help them get back into the world of work. What is my right hon. Friend's Department doing to try to ensure that people who are out of work can access skills through the further education sector and other means?

Mr Duncan Smith: This comes back to the Work programme, because it will be about drawing in mentors from the private sector to advise people on setting up businesses and to give other support and advice. The mentoring programme will allow us not only to get people into work, but to mentor them until they get the work habit. That is the critical point. Once they get the work habit, they will be capable of looking after themselves.

Mr David Crausby (Bolton North East) (Lab): The minimum wage plays an essential part in making work pay. Has the Secretary of State forgotten that he was completely opposed to the minimum wage and did all that he could to prevent its introduction? Will he ensure that he makes work pay not only by reducing benefits?

Mr Duncan Smith: There are several ways to make work pay beyond what I am doing. Making work pay by leaving people with more of their own money in the first instance will be a major step forward. The minimum wage is a good indication of how to set the base below which people should not fall. Another area in which the Government have also made a start is lifting the tax threshold for the poorest people. As we have said, we intend to move that all the way up to £10,000, and I hope that the hon. Gentleman will welcome that.

Andrew George (St Ives) (LD): Will this targeted work activity effectively be a stick—a humiliating sanction—which will not work, or will it be a carrot and a golden opportunity that will build a bridge between joblessness and the workplace, which would be welcomed by unemployed people and the voluntary sector?

Mr Duncan Smith: I think that the hon. Gentleman is referring to the mandatory work placement. May I explain to him that there has been some over-excited commentary on this proposal? It will be available to jobcentre staff who will be able to use it for two categories of people. First, if someone has been out of work for a long time and comes in, clearly demoralised and with very little self worth, and does not feel that they can get up in the morning—as normal people do when they go to work—they can be put on one of these placements, which will give them a start time and a place of work to go to. All the interviews we have done with people on this scheme have said that they benefited hugely from it because it got them up and out. They will still be brought back in to the jobcentre to look for jobs.

The second group is those people who, we suspect, may actually be already working. Placing them on such a programme does something quite neat: it means that they cannot go off and do the work that they are doing and claim benefit. Instead, they have to make a choice.

Mark Durkan (Foyle) (SDLP): I am sure that we all want to be assured by the Secretary of State's best attempts at a "Somewhere Over the Rainbow" version of his reforms, but we have to test them for the people in the places we know where low employment is an enduring problem. Do the projections for the universal credit include Northern Ireland? In answer to the Chair of the Select Committee, the Secretary of State mentioned bringing the tax credit systems and the DWP systems together. Has he factored in the Social Security Agency in Northern Ireland and discussed the implications with the Minister responsible?

Mr Duncan Smith: As the hon. Gentleman knows, I have been over there and discussed these matters with my opposite number. I want the reforms to apply to Northern Ireland, and they will. The area has particular problems, as he knows, and we need other devices to overcome those. However, people are unemployed and without work for much the same reason as over here, and I therefore look forward to being able to implement these reforms in Northern Ireland.

Mr Rob Wilson (Reading East) (Con): I welcome my right hon. Friend's statement this afternoon. It will do an enormous amount to help people to get back into work. Does he agree that it is important that we have a well-informed debate about this and will he join me in rejecting the ill-informed comments by the Archbishop of Canterbury? Perhaps my right hon. Friend could invite the Archbishop on one of his frequent visits to an area where he could see first hand some of the problems that these communities face, so that he may be better informed in future.

Mr Duncan Smith: I am always happy to seek to inform people so that higher authorities may be informed in their turn.

Mr Chuka Umunna (Streatham) (Lab): I have not had a chance to read the White Paper this morning, but my understanding is that the universal credit will be introduced from October 2013. The Secretary of State mentioned IT issues, and HMRC's business plan says that the update of the PAYE system, which will be integral to the transition to the universal credit, will not be complete until April 2014. How will the Department reconcile the date for the introduction of the universal cre lit with the delayed completion of the update of the PAYE system the year after?

Mr Duncan Smith: I am grateful for that question because it allows me to get rid of a slight misunderstanding. HMRC's programme is about upgrading the whole of the PAYE system. What we are dealing with comes before that and we do not need all that. We need two important things. As employers collect and collate the information about circumstances anyway, they will download it to the Department each month, instead of waiting until the end of the year. We need two data streams, one sending data through, the other sending data across. That needs a software programme, but it is well below what is being done to PAYE. We will be able to do that on a real-time basis and it will happen before the PAYE changes.

Charlie Elphicke (Dover) (Con): Child poverty rose by 300,000 in the dying years of the previous Government. Can the Secretary of State tell the House more about how his radical reforms will undo that damage and lift more children out of poverty?

Mr Duncan Smith: The last Government spent more than £35 billion on child poverty, and they are to be applauded for making some changes and lifting 100,000 children out of poverty. We should be conscious of that and I will not say anything other than that that was the right direction of travel. However, that was a lot of money to spend to get what was quite a narrow effect, and child poverty rose relatively speaking after 2004. The best approach, we think, is the universal credit, because take-up rates will improve, allowing families who do not know what they are eligible for to take the money. That will automatically improve the quality of life for those families and have a huge effect on child poverty.

Helen Goodman (Bishop Auckland) (Lab): As I understand it, the new contract that the Secretary of State will introduce will begin from day one of a person's unemployment, so he will be tearing up the old contract and the entitlement to benefit of people who have paid national insurance. Furthermore—as the hon. Member for St Ives (Andrew George) pointed out—the sanctions regime will also be introduced at that very early stage. Does not the Secretary of State realise that it is an extremely inefficient way to run an economy to force people with high skills into jobs for which they are not suited? We do not want physics graduates on the checkout till.

Mr Duncan Smith: I am saddened by the hon. Lady's question. She is wrong. First, the contributory principle still exists. The contributory benefits will run in parallel; we are not getting rid of those. Secondly, she said that we should only ever get people into jobs that their top qualification allows them to get. I think that getting people into work is the most important starting point, and from there they can move on. *[Interruption.]* Oh, quite the contrary! I have been unemployed, and I would have done anything to get a job.

Julian Smith (Skipton and Ripon) (Con): My local jobcentre told me last week that many well-paid caring jobs are not being taken up by jobseekers. As well as addressing the disincentives in the current benefits system, do we not need to encourage jobseekers to be less picky about the jobs they go after? Every job is of value.

Mr Duncan Smith: I agree that all jobs have a value, and that we want people to get jobs, to move on and to be assisted in getting better and better pay and circumstances. Carers will benefit from this system because it allows them to balance their work and caring responsibilities by picking the hours that suit them. Carers organisations have told us that the critical point is that often carers are locked into one set of hours that do not suit them. This system will allow them to take the relevant hours while fulfilling their caring responsibilities.

Clive Efford (Eltham) (Lab): The Secretary of State will be aware that jobcentre staff already have sanctions they can take out against people who they believe are avoiding going back to work. This morning, on the "Today" programme, as my right hon. Friend the Member for Paisley and Renfrewshire South (Mr Alexander) pointed out, the Secretary of State suggested that, where people are working with jobcentre staff and searching for work in earnest, the Government's duty is to work with those people to find them jobs. Does that mean that, where someone has been unemployed for a year, jobcentre staff will have some discretion in deciding whether they should continue to receive benefits, if they have been earnestly searching for work?

Mr Duncan Smith: The hon. Gentleman makes a legitimate point, which is that jobcentre staff still retain some discretion when they believe that somebody is making every effort. As he knows, the key is to deal with people who are simply making no effort to find work. The previous sanctions regime existed on that simple basis—in other words, if somebody is not trying, they will be sanctioned, but if they are trying, they will not be.

Julian Sturdy (York Outer) (Con): I congratulate the Secretary of State on grasping the nettle on this difficult issue. May I ask him about part-time and seasonal workers? Will he outline in more detail the support that will be available to allow them to take jobs and help them back into work, while saving the taxpayer money?

Mr Duncan Smith: There is an important feature to the new system that will help people taking seasonal work. In the past, as they shifted their work patterns, the system took a while to catch up, and often overpaid them and caused them difficulties when it tried to withdraw the money. This will benefit them greatly.

Julie Hilling (Bolton West) (Lab): I very much welcome any support for people to get back into work, but I am a little concerned. As always, the devil is in the detail. The document states that nobody will lose out under the reforms, but it also mentions capping housing benefit after 12 months and so on. Will the Secretary of State assure me that nobody will lose out under the reforms?

Mr Duncan Smith: They will not. We have given that commitment, and it can be found within the £2.1 billion.

Mr Peter Bone (Wellingborough) (Con): It is a sad fact that in Wellingborough there is a subculture of young people who have never known a family where anyone has ever worked, and who have always lived off benefits and in social housing. They come to my surgery to try to get a bigger house. How do we break that cultural trend? It is not just about incentives; we have to break the culture.

Mr Duncan Smith: Alone, this would not be enough, but my point is that it will run in parallel with the Work programme, which will get to unemployed people, such as the young people going to my hon. Friend's surgery, early and wrap around them a process that gets them away from that culture. Often they come from homes where there is no work. This programme will get them to see and work through the fact that being in work is the best and most important thing if they want to take control of their lives.

Anas Sarwar (Glasgow Central) (Lab): Can the Secretary of State explain why areas of highest unemployment will suffer most in the transition to the new Work programme? In Glasgow, there will be a six-month gap between the current programme ending and the new Work programme starting. What will fill that gap? This transition will affect thousands of people in the city of Glasgow alone.

Mr Duncan Smith: We are introducing the Work programme as fast as we can, and the summer target for that is critical. It will make a huge difference. However, I must tell the hon. Gentleman that the biggest gap is the one left to us by the last Government, as a result of the major deficit and their failure to fund any of the programmes that they said they would.

Matthew Hancock (West Suffolk) (Con): I warmly welcome today's announcement, like Members on both sides of the House. I also welcome the rhetorical conversion of the Labour party to the importance of incentives and marginal withdrawal rates. It is a pity that they have not been a part of the discussion over the past decade. Once the programme is fully implemented, how many people will benefit from lower marginal withdrawal rates?

Mr Duncan Smith: I can give my hon. Friend the exact figures later. I can tell him now, however, that there will be a huge uptake, because the marginal withdrawal rates will be so much better for those going back to work. I hope he will forgive me if I cannot give the figures on the spot. However, they will be significant, and people going back to work will benefit enormously. That will be a real incentive for those going back to work. He talked about how the Labour party has been converted. Sometimes, listening to Labour Members' questions, I wonder whether they have been converted or just hate the idea that somebody is doing something they should have done 10 years ago.

Ian Mearns (Gateshead) (Lab): The Secretary of State has said that getting people into work is the most important thing, and I agree with him. He has also given an undertaking to continue to help people with disabilities to gain employment. However, his Department has cut access to work grants to assist employers in adapting work places to facilitate the employment of people with disabilities. These are particularly important for small and medium-sized enterprises, where jobs will be created. Does he think it is time to rectify that mistake?

Mr Duncan Smith: Actually, we are not cutting the access to work grants—*[Interruption.]* No, they are being refocused on larger employers. More people will get back to work as a result of what we are doing, so it will be of more benefit than the previous system.

Bob Russell (Colchester) (LD): Let us be clear. I do not want a higher welfare bill, and I do not support those who cheat the benefit system, but I do encourage the Government to take equal measures against those who cheat on their tax. The statement of about 1,200 words mentioned children only twice, in acknowledging that more than 3.5 million children will still be left living below the official poverty line. Where does the statement:

"We are developing...sanctions for those who refuse to play by the rules"

place households with babies, infants and children of school age?

Mr Duncan Smith: A variety of programmes affect some of those groups, and the hon. Gentleman will know that extra money has been refocused on early years. The hon. Member for Nottingham North (Mr Allen) and the right hon. Member for Birkenhead (Mr Field) are producing reports on this. We are looking at dealing with those areas separately. If the take-up improves, which it will because it will be automatic, it will directly affect a significant number of people. We genuinely believe that even in a static state about 350,000 children will be lifted out of poverty. That has to be a pretty good start compared with what happened before.

Mr Virendra Sharma (Ealing, Southall) (Lab): The Secretary of State said that carers will be able to adjust their working patterns according to their own time scales and choose their own flexible hours. How will he ensure that employers agree to that according to the carers' needs, rather than the employers' needs?

Mr Duncan Smith: The point about this system is that because it does not say that people can work for 16 hours—or whatever it is—they can go back into work. Because work pays in every hour they take, they will be able to look at 10 or 15-hour jobs—or whatever—that may be available. For each one, they can make an adjustment and say, "Well, that would suit me. I'd be able to take that," whereas before—*[Interruption.]* Employers will have to advertise those jobs, because they will be available now and people can do the work. The point that I am making is that people can take those jobs now because they pay, whereas before it would not have paid them to work those hours.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Does the Secretary of State agree that one of the best ways to make work pay is to ensure that it pays not simply a minimum wage, but a living wage? What does he intend to do about that? Can he also give me an assurance that there will be some joined-up thinking and that those who are genuinely seeking work, even if they are out of work for more than a year, will not have their housing benefit cut?

Mr Duncan Smith: The policies on housing benefit stand as they are. On the hon. Lady's point about a living wage, I genuinely believe that the reality is that what we are doing is the best way to ensure that households end up with a living wage. In the past, because the system was so difficult and complicated, the first person into work in a household would often not be able to earn enough money to support the household. Because it will pay more to be in work, the process that we are introducing will give the first person in a household who goes into work a greater opportunity to earn enough money to support the household, allowing the option for the second earner to be just that: an option, rather than an absolute must.

Mr David Winnick (Walsall North) (Lab): In the real world, is it not the case that 18 unemployed people are chasing every vacancy and that two thirds of our unemployed people have each applied unsuccessfully for 11 positions? Let me also tell the Secretary of State that the sum of his recent utterances about the unemployed reminds one of his constituency predecessor, who at a time of mass unemployment in the 1980s told the unemployed to get on their bikes. Now, apparently, it is buses.

Mr Duncan Smith: The reality is that the hon. Gentleman should welcome the programme that I am introducing today, because it will improve the lives of the poorest in society. I am sorry that he chooses to cavil about this. My comment on buses was simply this: people on low incomes in London and many other cities recognise that it is sometimes necessary to travel to their places of work. That is the key point. Frankly, I do not need any lectures from him, and if he and his party—*[Interruption.]* No, they should be prepared to accept that the recession that he refers to is the recession that they left us.

Fiona Mactaggart (Slough) (Lab): I am proud to represent a town that exists because it has work, and I am proud to have been part of a Government who, for the first time in nearly 20 years, reversed the increase in child poverty. However, I am concerned that the Secretary of State's announcement will not achieve what I believe he intends to achieve. We know that the best way to tackle child poverty is to increase women's income. In Slough, the average bus fare is about £3.50. His taper says that people will keep 35p in every £1 that they earn. If a woman is doing a job that she can get to while her children are at school—for four hours a day, say—she will have to work the whole time just to pay her bus fares, ending up with £4 more. Will he not take the advice of his hon. Friend the hon. Member for Kettering (Mr Hollobone) and do something about the cost of travel to work?

Mr Duncan Smith: The hon. Lady has to admit that the one group that will be hugely affected in a positive way will be women going into work, because so many are engaged in caring and work and in having to balance the two. They will be paid more for the hours that they work, because they will retain more of their money. Of course there might be disputes and debates about whether we need to support people with travel costs, but it is a bit rich for the Opposition to give us lectures about travel costs after they left us without having done anything about them at all.

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): A few moments ago the Secretary of State said that if an unemployed person is trying to get a job, they will not have sanctions placed on them. Can he please explain how he reconciles that with the 10% cut in housing benefit for those who have been unemployed for more than a year?

Mr Duncan Smith: Very simply, that is a disincentive for people to go to work. The policy stands as it is, as I announced in the debate on Tuesday, and if the hon. Gentleman had any issues to raise, he should have raised them then.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): My hon. Friend the Member for Glasgow Central (Anas Sarwar) asked a reasonable question about the gap between the end of the current programmes and the start of the new programme. I am afraid that the Secretary of State departed from his general tone by giving him a fairly party political response. Will he take the point seriously? A gap of three to six months will be extremely significant, so if the new schemes are not ready, why can we not consider extending the current schemes in the meantime, to ensure that we do not leave people without the support that they need?

Mr Duncan Smith: I believe that the programme that we have set out and the timings that we have set for it—it starts next year in the summer—will help all those who need support to get back into work. We can debate or argue about the gap, but my general view is that as employment rises and as we start that process, we will see more people going back to work, and we will be able to support them in a better way than through the previous programmes, which we believe actually cost more money than they returned.

Mr Deputy Speaker (Mr Nigel Evans): Before we move on to the next statement, it might be convenient to remind the House that only those who are here for the statement can ask questions about it, and, just as before, I ask for single questions and pithy answers please.

Public Disorder (NUS Rally)

1.15 pm

The Minister for Policing and Criminal Justice (Nick Herbert): With permission, Mr Deputy Speaker, I would like to make a statement on yesterday's public disorder at the National Union of Students rally. The House will be aware that yesterday, following a peaceful demonstration organised by the NUS, a violent faction directed a series of criminal acts against offices on Millbank. This Government have been clear that we are committed to supporting peaceful protest. Indeed, we included the restoration of the right to peaceful protest in our coalition agreement. However, as the Prime Minister said this morning, we are equally clear that when people are bent on violence and the destruction of property, that is completely unacceptable.

The operational response to the violence is quite rightly a matter for the Metropolitan police, but I want to give the House an early indication of what happened yesterday, the action taken by the police and the follow-up action that will now be necessary. This information was provided at 9 o'clock this morning by the Metropolitan Police Service. The NUS initially predicted that yesterday's protest would attract around 5,000 demonstrators. On Tuesday, that estimate was revised upwards, to 15,000. The police had planned to deploy around 225 officers to the protest. It is now clear that that deployment was inadequate. As the situation developed during the day, an additional 225 officers were deployed.

In the initial stages, the march passed the Palace of Westminster in an orderly manner. However, that meant that vehicle access to the Palace was not possible for around two and a half hours. At about 1.10 pm, the front of the march reached the rally point at Millbank. At the same time, a group of protesters ran towards the Millbank office complex, which houses Conservative campaign headquarters. Protesters from the main march then seemed to be encouraged by a number of individuals to storm the building and throw missiles. Windows were broken and significant damage to the property was caused. Some protesters also managed to gain entry to the building, and some got on to the roof.

At the height of the disturbance, it is estimated that about 2,000 people were around Millbank. Many appeared not to be directly involved in violence, but it is now clear that a small hard core within this group were intent on violence. Additional officers were then deployed in public order protective equipment. The Department for Business, Innovation and Skills was also attacked by a small number of protesters. At about 3 pm, the police were informed that members of staff in the Millbank complex were concerned for their safety. They advised them to stay in the building. Officers were deployed to make contact with the staff and secure their safety. That took some time to achieve. By 4 pm, police officers had located the staff members and, over time, arrangements were put in place to escort them from the building. The police then undertook a search of the office complex and made 47 arrests for criminal damage and aggravated trespass. The British Transport police have also made three arrests. Around 250 individuals were also searched, photographed and then released pending further investigation. Forty-one police officers received injuries. A small number were taken to hospital for treatment and were subsequently released.

The police are committed to bringing the criminals who carried out that violence before a court. The whole House will join me in condemning the minority who carried out those violent and criminal acts. There is no place for such behaviour in Britain's democracy. I thank the police officers who were deployed to the scene, and who helped to protect innocent bystanders. They acted with great courage, particularly those who were holding the line until reinforcements arrived.

Yesterday, during the incident, the Home Secretary was in contact with the Metropolitan Police Commissioner, Sir Paul Stephenson. She also spoke to the Mayor of London, and I spoke to Kit Malthouse, chair of the Metropolitan Police Authority, which has responsibility for governance of policing in London. I commend Sir Paul for his swift and candid statement yesterday. I spoke to Kit Malthouse and Sir Paul this morning. The commissioner confirmed that the Metropolitan police will undertake an immediate and thorough review of its operational response to the incident. That will include an examination of why numbers and violence on this scale were not anticipated. The police have to strike a balance between dealing promptly and robustly with violent and unlawful activity on one hand, and allowing the right to protest on the other. Clearly, in this case the balance was wrong, but the decisions are difficult and are not taken lightly.

Let me finish by saying this: yesterday's protest and the policing clearly did not go to plan. The police will learn the lessons, but the blame and responsibility for yesterday's appalling scenes of violence lie squarely and solely with those who carried it out.

Ed Balls (Morley and Outwood) (Lab/Co-op): I am grateful to the Minister for Policing and Criminal Justice for coming to the House and for giving me an advance copy of his statement. Let me start by agreeing that the right to peaceful protest is a fundamental part of our democracy, which is supported on both sides of the House. Tens of thousands of students and lecturers came to London from across the country yesterday in coaches and with banners, placards and whistles to exercise that right and to make their voices heard about the Government's controversial plan to triple tuition fees.

However, the Minister is right to say, as the Prime Minister said in Seoul last night, that the vandalism and violence that we saw yesterday are completely unacceptable. It was perpetrated by a small minority of thugs who hijacked what was planned to be a legitimate and peaceful demonstration, and in so doing denied tens of thousands of students and lecturers the right to have their voices properly heard.

The Metropolitan police has told me that the National Union of Students worked closely and co-operatively with it before and during yesterday's events, as it has in the past. The president of the NUS was right yesterday to describe the actions of that small minority as "despicable" and designed to "hijack a peaceful protest." As the Minister said, there have been 50 arrests so far. Labour Members are clear, as he is, that there is no excuse for such criminal behaviour, and that those responsible must be brought to justice.

It is the job of the police not only to tackle crime, and to protect to the safety of our communities, but to keep public order as they ensure that the law-abiding majority can exercise their democratic right to protest and make

[Ed Balls]

their voices heard. The police ensure that thousands of major events and demonstrations pass off peacefully every year, often in difficult circumstances. I am sure that all hon. Members will want to join me in commending, as the Minister has done, the hundreds of officers involved in yesterday's events, and particularly the small number outside 30 Millbank and Millbank Tower early yesterday afternoon, for their bravery and dedication.

When things go wrong, it is vital to ask questions, to find out what happened, and to learn lessons for the future. We welcome the urgent investigation that the Metropolitan Police Commissioner, Sir Paul Stephenson, ordered late yesterday, and his straightforward and responsible admission that those events were "an embarrassment for London" and that there are lessons to be learned. The Met has acknowledged that there was an operational failure, and it seems sensible and appropriate in this instance that it conducts the investigation and reports to the independent Metropolitan Police Authority.

I am sure that that investigation will look at a number of issues, including whether sufficient officers were on duty to police what was expected to be a peaceful demonstration, when estimates of the size of the demonstration were revised upwards from 5,000 to 15,000 and then to 25,000 demonstrators; why the Metropolitan police made the judgment that the demonstration would be peaceful; whether there was any intelligence to suggest preplanning of violent action; whether sufficient back-up was available, and how quickly it was available and able to be deployed; and how operational decisions were made about which buildings to protect.

Wider questions were raised by yesterday's events that go beyond the direct operational responsibilities of the commissioner and the Metropolitan police, and are rightly matters for the Home Secretary and the Government. Let me ask the Minister whether, given the clear failure of intelligence in this case, the Home Secretary will assess whether the gathering of intelligence by the police and wider security services was sufficient, and sufficiently well co-ordinated. Will the Home Secretary be discussing the procedures for assessing risk and intelligence in advance of such protests to ensure that in future the full risks are understood in advance?

Given that yesterday and on previous occasions, mobile phones and social networking have been used during demonstrations to co-ordinate actions and build momentum during demonstrations, is work under way by the Home Secretary and her Department to support the police in responding to this new challenge and to consider what wider public order issues are raised?

Given that the demonstration was against a controversial aspect of Government policy and that police officers were deployed outside the headquarters of the Conservative and Liberal Democrat parties, did the Home Secretary or her advisers have any advance discussions about possible risks with the Metropolitan police and lead party officials? Was there any pre-warning or planning for staff in those political offices, and are there wider lessons to be learned?

Will the Minister tell us at what time he and the Home Secretary were alerted to the fact that elements in the demonstration were at risk of becoming violent, that they had become violent, and that a serious public order incident was under way? Will the Minister also tell us what plans the Home Secretary has to update the House following the conclusion of both the Metropolitan police investigation and the wider investigations that I hope she has started?

Finally, as the Minister said, the root of yesterday's events was the fault of no one but a small minority of violent demonstrators whom we all roundly condemn. They are a timely reminder of how we are all reliant on the police to maintain public order and to ensure legitimate and peaceful protest. Let me ask the Minister and the Home Secretary whether they are confident that the police will have the resources that they need in the coming years to deal with threats to our national security, to tackle organised crime, to ensure safe and successful Olympics and Paralympics, to continue visible neighbourhood policing in all our communities, and to ensure public order at major events without—

Hon. Members: Cheap.

Mr Deputy Speaker (Mr Nigel Evans): Order. The shadow Home Secretary will be heard.

Ed Balls: I will repeat the question, because some hon. Members did not want to hear it. I am asking for assurance from the Minister for Policing and Criminal Justice and the Home Secretary that they are confident that the police will have the resources they need in the coming year to deal with threats to our national security, to tackle organised crime, to ensure safe and successful Olympic and Paralympic games, to continue to provide neighbourhood police visible in all our communities, and to ensure public order at major events without stretching the thin blue line to breaking point.

Nick Herbert: The right hon. Gentleman rightly draws attention to the importance of peaceful protest, as did I. We should reflect on the fact that the Metropolitan police must deal with around 4,500 demonstrations every year. It has always had to deal with demonstrations, and it will continue to have to do so. He asked about intelligence, and it is clear there are questions about that, but my response is to his wider point about the role of the Home Secretary. These are operational matters for the police, and it is right that the commissioner should investigate them properly and review the failures that have clearly occurred.

On the right hon. Gentleman's final point about resources, we are of course confident that sufficient resources have been provided to the police over four years as a result of the spending review to ensure that the public can be kept safe. We believe that savings can be made by police forces while protecting front-line policing services. I would counsel him against seeking to make political capital by trying to link the action that we have had to take to secure savings with this incident. So far as I am aware, no one is suggesting that inadequate resources were available to the Metropolitan police. There is, however, a question about how and when they were deployed. The Metropolitan police now has a record number of police officers and a budget of more than £3.6 billion. It has sufficient resources to deal with such incidents at the front line, and that will continue to be the case. He is very unwise to suggest otherwise and to make political capital out of the incident that has just taken place.

Michael Fallon (Sevenoaks) (Con): Will the Minister join me in paying tribute to the staff at Conservative headquarters, led by Baroness Warsi, who continued working in a frightening situation yesterday, as did others in surrounding offices? Surely those enjoying higher education are the one group who should be pursuing their point of view by argument and debate, rather than by violence.

Nick Herbert: I agree with my hon. Friend. Of course it was worrying for the staff at Conservative campaign headquarters in Millbank and for other members of the public. My right hon. Friend the Home Secretary spoke to Baroness Warsi during the day about that experience. I also agree with my hon. Friend that this is the place where democratic debate takes place over issues of public policy. No one questions the right of those students to march yesterday and to make their case, and 40,000 of them did so peacefully. There is plenty of opportunity to debate policy, but there is neither a need nor any excuse for a minority to resort to violence.

Keith Vaz (Leicester East) (Lab): May I join those on both Front Benches in congratulating the Metropolitan Police Commissioner on admitting what went wrong yesterday and holding a thorough investigation? I am sure that members of the Home Affairs Select Committee will be keen to look at those findings, especially in view of the criticism that the police received following the G20 protests, to find out whether they might have felt the need to adopt a different approach. Everyone has rightly condemned the violence. Has the Minister received any information that lecturers were also involved in organising this protest? If that is the case, and it is more than just anecdotal information, will he speak to Ministers at the Department for Education to ensure that their establishments look carefully at the way in which their employees have behaved?

Nick Herbert: I have received no such information. I repeat that the vast majority of the 40,000 who were demonstrating yesterday did so peacefully, and the Government have no issue with that, or with their right to protest. The right hon. Gentleman also mentioned the response to the Tomlinson incident. I discussed this with the commissioner of the Met this morning. He was clear that there had been a failure on the part of the police force to assess the risk properly, and he is reviewing that. He did not seek to attribute the blame to any deliberate change in policing tactics as a consequence of the Tomlinson incident. It is worth reflecting, however, that Her Majesty's inspectorate of constabulary stated in a formal report following the Tomlinson incident that the British model of policing

> "can be easily eroded by premature displays of formidable public order protective uniform and equipment which give the perception—inadvertent or otherwise—of a hardening of the character of British policing."

That was a criticism directed towards the police by the inspectorate, and it shows that they have difficult balancing judgments to make.

Conor Burns (Bournemouth West) (Con): Yesterday afternoon I agreed to give an interview outside St Stephen's entrance to some students from Nottingham university. After that interview we were joined by a bearded, slovenly man in his 40s wearing an "End capitalism now" badge—[Hon. Members: "A Lib Dem".] I was wearing a yellow tie, so perhaps he mistook me for one. This man sought to wind up the students. In my judgment, he was an old-fashioned agent provocateur who had infiltrated the group. What assurances can the Minister give the House about future intelligence gathering, so that those who come here to make legitimate protests do not get infiltrated and have their legitimate causes hijacked?

Nick Herbert: Neither I nor the Government have anything against bearded people—or even against anti-capitalists, although we may disagree with them. We do, however, take issue with those who resort to violence, criminal damage and intimidation. It is clear that a small minority came along to yesterday's demonstration intent on pursuing those acts. They have been disowned by the president of the National Union of Students, as the right hon. Member for Morley and Outwood (Ed Balls) pointed out, and it is only fair not to characterise the rest of the demonstration by association with the actions of that thuggish minority.

Mr Deputy Speaker (Mr Nigel Evans): I think that Mr Efford will be reassured by that response.

Clive Efford (Eltham) (Lab): Speaking as a hirsute Member of Parliament, I am pleased that the Policing Minister is not going to discriminate against my minority. It is important that we all condemn the violence that took place and commend the officers who acted very bravely in difficult circumstances, but we need to remember that more than 50,000 students and lecturers protested peacefully yesterday, as is their right. There was just a tiny minority whom the Prime Minister described as

> "a bunch of people who were intent on violence and destruction".

Perhaps he was recalling his Bullingdon club days. Given the intelligence gathering done by the police, why were they taken by surprise when so many people travelled quite a long way to get to London in order to protest? Surely they should have been aware of the numbers of people likely to be there. There is a history of this, as I know from my previous profession, having been caught up in a previous demonstration when students blocked some of the bridges in London. Why were the police not prepared?

Nick Herbert: I repeat that the review of the deployment of the police is being conducted by the commissioner of the Metropolitan police, and it is right that we should await its outcome rather than speculating on why there was an intelligence failure.

Robert Halfon (Harlow) (Con): Does my hon. Friend agree that yesterday's mob fires of placards and papers had echoes of 1930s book burning? Does he agree that mob rule is no substitute for democratic rule? Will he also pay tribute to the thousands of students who were not in Westminster yesterday, but were continuing their studies up and down the country?

Nick Herbert: We are committed to supporting the right of peaceful protest. Everyone in this country is entitled to make their views known by peaceful and

[Nick Herbert]

democratic means. It was open to students yesterday to hold a lobby of Parliament and contact their MPs, who I am sure, whatever their views, would have listened to their concerns. It is neither necessary nor justifiable for a small minority to resort to any kind of violence, intimidation or criminal damage.

Steve McCabe (Birmingham, Selly Oak) (Lab): I welcome the Minister's commitment to peaceful protests and demonstrations. Does he share my view that the appropriate sentence for many of these professional thugs and agitators is an exemplary prison sentence? Can he assure me that cost will not be a factor when the courts make their decisions?

Nick Herbert: I think that the hon. Gentleman, too, is close to trying to make a political point on the back of these events. My right hon. Friend the Justice Secretary has made it absolutely clear that prison will continue to be reserved as the appropriate place for serious, violent and repeat offenders. We have no plans to fetter the power of magistrates or sentencers in that respect. The Government want the full force of the law to be brought to bear on those who committed acts of violence yesterday: they should be brought to justice.

Mr David Nuttall (Bury North) (Con): In view of the decision made yesterday by a small minority of those involved in the demonstration to resort to violence and the destruction of property, does the Minister not agree that we should consider again whether the current sentences for such criminal behaviour are a sufficient deterrent?

Nick Herbert: We are conducting a review of sentencing, which will be published later this year. Of course there was no justification for the acts that took place, but I am not aware of any inadequacy in the sentencing powers available to courts. What is necessary is for the authorities to be able to collect the evidence and properly bring these individuals to justice.

Mr David Lammy (Tottenham) (Lab): At 1.10 pm I was at the front of the march with my hon. Friend the Member for Bolton West (Julie Hilling), and I saw no surge on Millbank at that time. May I refer the Minister to the website london.indymedia.org? He will learn from that website that anarchist groups, both in this country and abroad, had been planning to join the march for quite some time, and there is a fair amount of evidence that they were caught up in the criminal damage. It is surprising that the police were not aware of that activity. Can we ensure that we do not curtail the activities of students who march in London in the coming weeks, which some intend to do?

Nick Herbert: I can reassure the right hon. Gentleman that the Government wish to protect the right of peaceful protest. He mentioned websites. I am sure that this debate is being noted by the Metropolitan police, and I shall make certain that his comments are drawn to the attention of the commissioner. He is, of course, free to write to the commissioner, and if he wishes to copy me in, I shall ensure that his comments are noted.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Please may we have no more statements, just questions? Otherwise a great many Members will be disappointed.

Tom Brake (Carshalton and Wallington) (LD): When the Minister reviews the way in which the event was policed, will he confirm that Her Majesty's inspectorate of constabulary's recommendations on adapting to protests were followed by the Met in this case?

Nick Herbert: That point will, of course, be covered by the review that the Metropolitan police are undertaking. The Association of Chief Police Officers reviewed its policy on protests as a consequence of the HMIC recommendations, and a number of steps were taken. We shall keep all those matters under review, as is proper, but the essential point is that we must not take precipitate action in a way that would undermine the importance that the House and the country attach to peaceful protest. Equally, we must ensure that we are taking every possible step to prevent violence and violent disorder.

Anas Sarwar (Glasgow Central) (Lab): I wholeheartedly agree with the Minister's condemnation of yesterday's violent actions, and with his tribute to the police. The NUS was quick to condemn those actions, and is frustrated—as anyone else would be—that its genuine protest was hijacked by militants and extremists. Will the Minister take this opportunity to distance himself from the comments of the hon. Member for Mid Bedfordshire (Nadine Dorries), who said during the business statement that the NUS was "egging on" the protesters? I do not think that yesterday's events should be used as a way of defaming the name of the NUS.

Nick Herbert: I understand that the president of the NUS has condemned the actions of this minority in the clearest possible terms. There was obviously a failure on the part of the NUS to assess properly the number of people who would be taking part in its march. That is one of the matters that needs to be reviewed by the Metropolitan police, who have previously had very good relations with the NUS on issues of this kind.

Angie Bray (Ealing Central and Acton) (Con): Does the Minister agree that certain remarks "twittered" to the wider world about the fact that the violent rioting might be due to Government policy are not only unacceptable but highly irresponsible?

Nick Herbert: I do agree with my hon. Friend. There is no justification for resorting to violence, intimidation or criminal damage. Whatever the disagreements with policy, there are proper democratic means of expressing that disagreement, including peaceful protest.

Kevin Brennan (Cardiff West) (Lab): Further to the point about the National Union of Students and the accusations made by the hon. Member for Mid Bedfordshire (Nadine Dorries)—who I note is attempting to catch your eye, Mr Deputy Speaker—may I ask whether, when the Minister was briefed by the Metropolitan police or during any of the discussions that he has had about this matter, any evidence has been presented to him of any involvement of the leadership of the National Union of Students in organising, perpetrating or encouraging violence?

Nick Herbert: No evidence has been put before me other than the facts, which I have sought to give the House. The review is being conducted by the Metropolitan police themselves. It is an operational matter. Let us await the outcome of the review, which will be presented to the Metropolitan Police Authority, as it should be.

Nadine Dorries (Mid Bedfordshire) (Con): In response to the comments of the hon. Member for Cardiff West (Kevin Brennan), let me say that there is photographic, film and eye-witness evidence that NUS stewards whipped up the crowd yesterday. It is not good enough.

The Minister has said that the estimate of the number of protesters was upgraded from 5,000 to 15,000 yesterday. Can he tell us at what time the NUS informed the police that the estimate had risen by that amount? Did the police have time to "man up" to deal with that number of protesters?

Nick Herbert: I said in my statement that the police were informed on Tuesday evening that the NUS had upgraded its estimate of the number of protesters. Of course anyone who organises a demonstration or march has a responsibility to ensure that it is conducted properly, and a responsibility for the way in which that is done. In my view this is a matter for the Metropolitan police to investigate. If there is any evidence of incitement by any individual, I hope that it will be brought before the courts.

Mark Durkan (Foyle) (SDLP): Obviously we all offer our sympathy to the police officers who were caught up in coping with circumstances that they did not expect, to workers in the offices that were targeted and affected, and to the many students who are disappointed and frustrated by the hijacking of their impressive demonstration. However, will the Minister and others examine the intelligence issues surrounding yesterday's events, and ask whether anyone should have picked up a clue from what happened in Dublin during the past couple of weeks? A demonstration by the Union of Students in Ireland was hijacked and used as an excuse for targeted and deliberate agitation by exactly the same tendencies as were involved in yesterday's events in London.

Nick Herbert: The hon. Gentleman has made his point forcefully. It is precisely the sort of point to which I am sure the Metropolitan Police Commissioner will pay attention when he looks into whether there was a proper intelligence assessment, and what the failure was.

Geoffrey Clifton-Brown (The Cotswolds) (Con): My right hon. Friend may be interested to know that I spoke to several police constables this morning. They believe that it is a miracle that no death or serious injury resulted from yesterday's events, particularly if the story of an incident involving a fire extinguisher being thrown off a roof is true. They told me that serious questions must be asked and an inquiry must be carried out quickly, so that different actions can be taken if a similar event occurs again.

Nick Herbert: I strongly agree with my hon. Friend on both counts. First, serious violence did take place, and it is very fortunate that no one was more seriously hurt—especially given that many of us saw on the television screens someone apparently throwing a fire extinguisher from the roof of the building, which could have really hurt, and possibly even killed, people standing below. That underlines the importance of proper policing, and of a proper review of how the incident was dealt with. I agree with my hon. Friend that it is important for the review to be conducted speedily.

Thomas Docherty (Dunfermline and West Fife) (Lab): I am sure the House will wish to congratulate the Serjeant at Arms and her staff on the speedy decisions they took yesterday afternoon. Given that this was a peaceful demonstration that was hijacked by a small number of Trotskyites, Socialist Workers and anarchists, does the Minister agree that it is beholden on Members not to make up lies and accusations to tell to the media or put in their blogs, even when those blogs are 70% fiction?

Nick Herbert: Well, anybody in this House is free to make whatever comment they wish about the conduct of this demonstration and those who sought to disrupt it, but the Government's view is that there were 40,000 people most of whom were marching peacefully, and that the demonstration was disrupted by a minority intent on violence.

Mr Tobias Ellwood (Bournemouth East) (Con): I must declare an interest: I have led a few demonstrations myself as president of the Loughborough student union—around this building, in fact, and against the poll tax, although I will keep that information to myself. In those days, we did not feel the need to throw fire extinguishers off roofs, to set fires or to try to put police officers in hospital. It is interesting that neither I nor my constituency neighbour, my hon. Friend the Member for Bournemouth West (Conor Burns), received a single request to be lobbied here in Parliament. In my day Twitter and Facebook did not exist, so students can mobilise themselves much more quickly nowadays. What are the police doing to understand intelligence from such sources and act more quickly?

Nick Herbert: It is my understanding that the police do monitor the various forms of social media, but such questions will form part of the intelligence review that the commissioner is undertaking as part of his wider review of what went wrong yesterday.

I would like to apologise to the House: I said in my statement that my right hon. Friend the Home Secretary had spoken to the Mayor yesterday, but my right hon. Friend tells me that that was not the case. I spoke to the deputy Mayor yesterday and again this morning.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. Short questions and short answers, please.

Julie Hilling (Bolton West) (Lab): Yesterday's demonstration was organised jointly by the University and College Union and the National Union of Students, and 50,000 people came and were well behaved. However, witnesses have said that when the assaults on the building took place, that was organised by telephone and people pulled up their hoods: it was an organised event. Why was there a failure in the intelligence, therefore? Why was the building not—

Mr Deputy Speaker: Order. One question, thank you.

Nick Herbert: The hon. Lady is, quite properly, asking the questions that need to be the subject of the Metropolitan police's own review.

David Tredinnick (Bosworth) (Con): Will my right hon. Friend re-evaluate the sense of allowing large demonstrations around Parliament square when they could be held in other parts of London? Is this a sensible measure, and why was the House closed for so long yesterday?

Nick Herbert: It was an additional concern yesterday that vehicle access to the Houses of Parliament was denied for two and a half hours. It has always been the position that it is important that Members of Parliament should be able to get to and from this place so that we can take part in debates and vote. We are reviewing this matter in the context of protecting peaceful demonstrations while also ensuring the special nature of Parliament square, and access to the House of Commons and the House of Lords.

Ian Mearns (Gateshead) (Lab): The issues involved in yesterday's events raised by Members here today clearly go beyond what the Metropolitan police can resolve within the terms of their remit. Why has the Home Secretary not made a statement about yesterday's events?

Nick Herbert: I am afraid I disagree with the hon. Gentleman. This is a matter for the Metropolitan police, who, quite properly, are reviewing it. This is an operational matter for them. There is a principle, which is often advanced to us by Opposition Members, that the operational independence of the police should be protected. We strongly agree. The police are, however, accountable—including in this case—to the Metropolitan Police Authority and the Mayor, and that is why the report will go to the MPA. I am sure that it will question the Met about these matters.

Nicky Morgan (Loughborough) (Con): Yesterday, I spoke to both the NUS president and the Loughborough students who were present, and I am glad to be able to say that none of them was involved in any of the violence. However, my non-student constituents ask what obligations those organising protests have to work with the police—such as whether they should undertake to report any intelligence as soon as they become aware of it. We will see more protests, so what can we do to stop them being hijacked?

Nick Herbert: There are statutory obligations on the organisers of marches to notify the police of any relevant intelligence, and that happened in this case. It is important for there then to be a proper dialogue between the police and the organisers. As I have said, those who organise marches and demonstrations have a responsibility to ensure proper conduct. When incidents such as the disturbance at yesterday's NUS demo take place the cause is undermined, and I believe that happened yesterday.

Mr Rob Wilson (Reading East) (Con): Students from Reading university demonstrated in a peaceful and appropriate way and were very upset by the criminal damage. However, did my right hon. Friend see the "Newsnight" interview with the president of the university of London student union? Is he concerned that militants in unions and political parties might be preparing to hijack future protests for their own political purposes, and against the wishes of the decent majority?

Nick Herbert: I repeat that there is no excuse for resorting to violence, intimidation or attacks on property. There are plenty of means—including through access to this place, lobbying Members of Parliament—for people to make their views known.

Mr Philip Hollobone (Kettering) (Con): As well as criminal prosecutions, will my right hon. Friend encourage universities, colleges of higher education and, in some cases, employers, to take appropriate disciplinary measures?

Nick Herbert: I think we need to draw a distinction between those who were marching peacefully and the small minority who were clearly engaged in criminal acts. They must be brought before the courts in the proper manner, after which action can be taken by the relevant academic authorities.

Charlie Elphicke (Dover) (Con): It would be all too convenient to write this off as just the work of professional agitators, but serious allegations have been made about NUS stewards, on-air TV confessions by student union leaders and the handing out of "What to do if you're arrested" leaflets, which would not need to be brought along to a peaceful demonstration, but I understand were handed out by the NUS. Will the Minister ensure that these allegations are properly investigated?

Nick Herbert: I am sure the Metropolitan Police Commissioner will have noted my hon. Friend's views in respect of any allegations of criminal behaviour. Not only will the commissioner be reviewing the deployment of police officers in such circumstances, but, as he repeated to me this morning, he is determined to ensure that the perpetrators of the violence, wherever they came from, are brought to justice.

Richard Graham (Gloucester) (Con): Does the Minister agree that the remarks made on television yesterday by the university of London union president were irresponsible and tarnished the reputation of responsible trade unions, and that Opposition Members who signed a coalition of resistance with ULU about direct occupation of buildings should withdraw from that association?

Nick Herbert: I did not see the remarks to which my hon. Friend refers, and I would be grateful if he would send them to me. Anybody who incites a criminal act in any way should expect to face the consequences, and the police cannot, and must not, tolerate the actions of anybody who either was directly involved in violence, intimidation or criminal damage yesterday, or incited that behaviour.

Matthew Hancock (West Suffolk) (Con): Will the Minister reassure the House that the investigation into that incitement to violence will cover the NUS president, who is reported to have called for demolition not only on "the streets of London" but

"inside the rooms where the deals will be made"?

Nick Herbert: I am not aware of the remarks that my hon. Friend attributes to the president of the NUS, but I repeat that if any individual has, through spoken or

written words, incited criminal acts, that is a matter for the police, who should gather the evidence and act accordingly.

Michael Ellis (Northampton North) (Con): Does the Minister agree that the limited number of Metropolitan police officers at the scene in Millbank in the early stages of the incident showed outstanding bravery and professionalism, and should be thanked from the Treasury Bench for that exceptional conduct, which they showed in the face of vastly greater numbers?

Nick Herbert: I agree with my hon. Friend. I have already expressed the Government's thanks to police officers, who did a very difficult job yesterday, particularly those who were manning the line when it was clear that more resources were needed. Last week I attended the Metropolitan police annual service of remembrance for fallen officers at Hendon. It was a sober reminder that police officers—those in the Metropolitan police and across the country—daily do their duty and sometimes lay their lives on the line for us, the public. At a time of change and police reform, it is important that we remember the great job that police officers do for us.

Points of Order

2.1 pm

Mr David Lammy (Tottenham) (Lab): On a point of order, Mr Deputy Speaker. Can you advise the House of the rules on parliamentary privilege? Certain Conservative Members have used the opportunity of the statement to slander NUS presidents and other members of the NUS, and it is clearly unacceptable.

Mr Deputy Speaker (Mr Nigel Evans): Mr Lammy, you have made your point in your way. You will know—

Kevin Brennan (Cardiff West) (Lab) *rose—*

Mr Deputy Speaker: Is it further to the same point of order?

Kevin Brennan *indicated dissent.*

Mr Deputy Speaker: You will know the rules of the House, Mr Lammy, and what privilege entails. You have made your point in your usual way.

Kevin Brennan: On a point of order, Mr Deputy Speaker. Can you investigate whether there is currently any obstruction to accessing the House, because no comments or contributions were made by Liberal Democrat Members during the previous statement?

Mr Deputy Speaker: I certainly called Tom Brake; he had no problem getting in, and I understand that he has had no problem getting out.

Ian Mearns (Gateshead) (Lab): On a point of order, Mr Deputy Speaker. The answer given by the Secretary of State to a point that I made about access to work grants contradicted one that I had been given by his own Department in a response to a constituent's inquiry. May I ask that the Secretary of State come back to clarify the position?

Mr Deputy Speaker: Both the Secretary of State and those on the Treasury Bench will have heard the point made, but I do not want an extension of the recent debate.

BILL PRESENTED

European Union Bill

Presentation and First Reading (Standing Order No. 57)

Secretary William Hague, supported by the Prime Minister, the Deputy Prime Minister, Danny Alexander, Mr Patrick McLoughlin, Mr Oliver Letwin, Mr David Lidington, Mr Jeremy Browne, Mr Alistair Carmichael, Mr Henry Bellingham and Alistair Burt, presented a Bill to make provision about treaties relating to the European Union and decisions made under them, including provision implementing the Protocol signed at Brussels on 23 June 2010 amending the Protocol (No. 36) on transitional provisions annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community; and to make provision about the means by which directly applicable or directly effective European Union law has effect in the United Kingdom.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 106) with explanatory notes (Bill 106-EN).

Mr William Cash (Stone) (Con): On a point of order, Mr Deputy Speaker. I raised earlier with the Leader of the House my Committee's concerns at the extremely short time between the presentation of the European Union Bill and its Second Reading. The Bill deals with matters of enormous constitutional importance and it would be appropriate, within the terms of reference of my Committee, to guarantee that we are given adequate time to consider it. I would be grateful, Mr Deputy Speaker, if you would be kind enough to take that point on board for the purposes of ensuring that, within the Standing Orders, my Committee has appropriate time to deal with the Bill.

Mr Deputy Speaker (Mr Nigel Evans): I have listened to what you have had to say, Mr Cash, and you have made the point that you wished to make.

We now move on to the main business of the day, but before I call Margaret Hodge to move the motion on her Committee's report, I should remind the House that the Backbench Business Committee has recommended that this item take no longer than 15 minutes. We will then move on to the main debate on policy for growth.

Backbench Business

Public Accounts Committee Report (CAFCASS)

2.3 pm

Margaret Hodge (Barking) (Lab): I beg to move,

That this House notes the publication of the Sixth Report from the Committee of Public Accounts, on Cafcass's response to increased demand for its services, HC 439.

This is a new procedure for the House and I am grateful to the Backbench Business Committee for giving my Committee the first opportunity to present a Select Committee report to the House. I wish to highlight key points in our report, but I am conscious that the House wants to move on to the debate on growth so this should not take longer than 15 minutes. I will be most happy to take interventions from those on both sides of the House, to which I shall try to respond. The Backbench Business Committee does not envisage that Members will seek to speak after I sit down and the intention is that the Deputy Speaker will put the question right away before we move on to the main Back-Bench debate.

The role that the Children and Family Court Advisory and Support Service—CAFCASS—plays is crucial for the most vulnerable children in our society at the most vulnerable point in their lives, when their future is being decided by the courts. CAFCASS advises the courts on behalf of the children—it advises what is in the child's best interest—so ensuring an effective, efficient and timely service is essential if we are to serve our children well.

Mr Peter Bone (Wellingborough) (Con): In the discussion about the response of CAFCASS, was there any discussion about children who have been trafficked? They seem to be falling through the system at the moment.

Margaret Hodge: I agree entirely with the point made by the hon. Gentleman, but our Committee focused more on the service that CAFCASS was able to give to children whose future was being determined by the courts and therefore on whether CAFCASS officials were writing reports that the judiciary could take.

Our Select Committee undertook its inquiry on the basis of a National Audit Office report into the way in which CAFCASS had responded to a substantial and sustained increased demand for its service in the wake of the tragic death of baby Peter. We were particularly grateful to Sir Nicholas Wall, president of the family division, and Sir Mark Hedley for giving us important insights into how they, as the customers of CAFCASS, experienced the service. It was welcome and important that they both felt that the quality of the reports they received from guardians in public law cases was good. However, we have grave concerns as to the whether the organisation itself is fit for its purpose.

Tracey Crouch (Chatham and Aylesford) (Con): I read the Select Committee's report with interest this morning, especially given that CAFCASS told me in response to a constituent complaint that it was

"unable to revisit the contents of its reports to courts."

Does the right hon. Lady agree that it is impossible for an organisation to identify and rectify any errors if it refuses to examine its previous work?

Margaret Hodge: I am extremely puzzled by the allegation that has been made by the hon. Lady's constituent about the veracity or otherwise of reports that are considered by the courts. I think that it would be inappropriate for me to comment on that, but I urge her to take it up through the appropriate mechanisms, because it is clearly an area of concern.

The Committee had grave concerns as to whether CAFCASS was fit for purpose. We all accept that it was hugely difficult for CAFCASS when it was faced with a 34% increase in the number of care cases, but in our view it was ill-prepared to respond appropriately and the reasons for that failure go beyond the crisis created by the sudden influx of new cases. The facts established by the NAO, and accepted by the permanent secretary in signing off the NAO report, cause us grave concern. At the height of the crisis, it was taking 40 days on average to allocate fully a care case to a family court adviser. I understand that it currently takes 27 days—nearly a month in a child's life—just to start the work that will lead to a decision for that child's future. The goal that CAFCASS has set for itself is to allocate cases within two days, but two years after the end of the baby Peter case in the courts, CAFCASS is still not meeting its own standard.

Sir Alan Beith (Berwick-upon-Tweed) (LD): The report and what the right hon. Lady is now saying are depressingly similar to what we in the then Select Committee on Constitutional Affairs said in 2003, which led to the removal of the entire board of CAFCASS. Does she think that what she is now describing can be resolved by changes at the top, either at board level or in senior management, or do we also have to look at whether the remit and work of CAFCASS can be refocused as part of the family law review?

Margaret Hodge: As the right hon. Gentleman will know, I was the Children's Minister when his Committee considered that report. We had hoped that putting in a new chief executive and a new board would enable the organisation to manage the transition to the new arrangements and provide an effective service for children. It is particularly depressing in coming back to this issue a few years later to find that that has not taken place. I agree with the implication of his assertion—the time has probably therefore come to review the arrangements that were put in place and to see whether they are appropriate to ensure the proper care of children. I take that point seriously.

CAFCASS's ability to respond to private law cases, where demand is still increasing, was also woefully inadequate. One third of the section 7 reports required by the courts are more than 10 days late and CAFCASS also faces the ongoing challenge of an ever-increasing number of open care cases remaining on its books. At the end of September, CAFCASS had nearly 12,000 open care cases—over 2,500 more than a year before.

During 2009-10, CAFCASS reached an agreement with the judiciary which enabled it to prioritise new and delayed cases, to introduce a duty system to support the courts in care cases and to write fewer reports in private law cases. All sides agree that, although those temporary changes were necessary, they were not desirable and the duty system for public law cases did not serve the needs of children well. The guidance underpinning those practices has now been amended to minimise the use of duty guardians, but that simply adds to my Committee's concerns about the capacity of CAFCASS as an organisation to respond to the demands placed on it.

Matthew Hancock (West Suffolk) (Con): It is a pleasure to serve under the right hon. Lady on the Public Accounts Committee. Will she take this opportunity also to note the evidence that we heard that, despite all the problems, the hard work and commitment of the case workers and of social workers were commended by everybody from whom we took evidence?

Margaret Hodge: I agree entirely. We changed the way in which my Committee normally operates in that we deliberately took evidence from members of the judiciary. It was heartening to hear that they found the quality of the reports presented to them to be good; there was no criticism at all of the quality. We found it rather more disturbing that both the permanent secretary in the Department and the chief executive of CAFCASS thought that they were running a world-class organisation, whereas the evidence suggested that the quality of the organisation was far from world class.

Mr Richard Bacon (South Norfolk) (Con): On that point, was not one of the most shocking aspects of our Committee's inquiry the discovery that CAFCASS had not previously collected all the information that it required? However difficult it is, CAFCASS must undertake the data collection that it needs to manage its business.

Margaret Hodge: Yes, there was unanimous agreement in Committee that the failure to collect adequate data to be able both to predict future case load and to manage current peaks and troughs in case loads was extremely worrying. I do not think that we were given any proper undertakings or comfort that CAFCASS was on top of the data and information requirements that would allow it to improve its performance.

Joseph Johnson (Orpington) (Con): One way in which CAFCASS was world class was in the amount of pay that the chief executive received: £168,000. Given how long he had been in the role—since 2004—and the litany of failure against key performance indicators that the report exposed, did the right hon. Lady feel that the Department was sufficiently engaged with the possibility of management change at the top of CAFCASS?

Margaret Hodge: That is a matter for Ministers. I hope that the Under-Secretary of State for Education, the hon. Member for East Worthing and Shoreham (Tim Loughton), who is in his place, will note this point: we were all a bit taken aback by the fact that the permanent secretary appeared, from the evidence that he was giving, to believe that the organisation was world class, as all the data in front of us suggested otherwise.

Mr Philip Hollobone (Kettering) (Con): What is the Committee's recommendation on the future of the permanent secretary and the chief executive?

Margaret Hodge: We did not put forward recommendations on either of those two individuals. However, we have made recommendations on our beliefs about the capability or otherwise of CAFCASS.

The evidence that we had before us suggested that CAFCASS is an unhappy organisation with underlying problems and challenges. Let me draw the House's attention to two of the facts in our report. First, Ofsted carried out inspections of 10 CAFCASS areas in 2009 and failed eight of them. That is a terrible indictment of the organisation. Secondly, the NAO found that sickness rates among family court advisers averaged 16.1 days per annum—double the average for the public sector as a whole and indicative of low morale in an organisation that is not being properly managed by its senior executive.

CAFCASS was established in 2001 and brought together the work previously carried out by more than 100 organisations based in the Court Service and in local government. I know from my time as Children's Minister that there have been continuing challenges and problems with the organisation, and it is particularly disheartening for me to return to considering the organisation after the reviews in 2003.

I welcome the fact that a family justice review is taking place and although that might impact in the short term on the already low morale in the organisation, I hope that it makes proposals that will ensure that the most vulnerable children in our society are properly served. I hope that in determining the future of the service the Government will have regard to the conclusions in our report.

The Parliamentary Under-Secretary of State for Education (Tim Loughton) *rose*—

Margaret Hodge: I urge the Government, as they are considering financial cuts to services across the board, not to place at risk the response we should collectively make to the needs of the most vulnerable young people in our society.

Question put and agreed to.

Sir Alan Beith (Berwick-upon-Tweed) (LD): On a point of order, Mr Deputy Speaker. We are all grateful to the Backbench Business Committee for enabling the Select Committee report to be presented, but I hope you will encourage the various parties involved, including the Backbench Business Committee, to review the procedure. Perhaps a little longer is required—such as a half-hour slot—in order that the Chairman may present the whole case and then take questions, including from the Minister. I saw that he tried to intervene. On behalf of Committee Chairs in general, I would like to encourage further consideration of the exact procedure to be followed for this excellent innovation.

Mr Deputy Speaker (Mr Nigel Evans): I thank the right hon. Gentleman for that point of order. I have been an MP for 18 years and we seem constantly to be modernising the House. This procedure is embryonic—this is the first time we have followed it—and I am sure that the Backbench Business Committee will reconsider it and consider what changes need to be made to make it more effective. I agree with his comments about the first running of the procedure; it was very useful.

Policy for Growth

2.18 pm

Mr John Redwood (Wokingham) (Con): I beg to move,

That this House has considered the matter of policy for growth.

It gives me great pleasure to move the motion and I know that I speak for many others in this House when I say that we welcome the Backbench Business Committee's decision to hold a debate on this crucial subject. I also remind the House that in the Register of Members' Financial Interests I have pointed out that I am a business adviser to a couple of companies.

This is a crucial subject because the Government's whole economic strategy rests on the assumption of above-trend growth starting next year and continuing for the rest of the Parliament. I am sure that every Member would like to see faster and sustained economic growth from this point after the trials, tribulations and difficulties that the economy has been through in recent years.

Knowing how popular this debate is and that about 50 Members would like to catch your eye, Mr Deputy Speaker, I shall not exercise the right of the mover of a motion to speak at great length. The House will be delighted to know that I shall not be giving my analyses of where the world and British economies are or of monetary and growth trends, as that would take a little longer. All those who are desperate to know my analysis can read it on johnredwood.com—a not-for-profit site that is full of wise advice and good analysis with a great deal of modesty. I am sure that colleagues will be delighted to know that. I shall stick to the headlines, based on my analyses, and the conclusions that I should like to put to the Minister and others.

The strategy over the five years in the Red Book, as amended in the Green Book, says that by the fifth year of the Parliament the Government hope to be spending £92 billion a year more on current public services than in the last Labour year, and that they wish at the same time to reduce the deficit. To do that, they assume that there will be an increase in tax revenue of £176 billion a year by that fifth year. We believe that it is assumed that most of that increase in tax revenue will come from increases in current tax rates through growth in the economy. So the Government have a great deal invested in the idea that growth is going to speed up and be sustained—we all do.

My first point is that the one thing we cannot afford over the next five years is rapid inflation. Currently, inflation is too high. The Bank of England, I am afraid, was disastrous in the era of the exchange rate mechanism when it lurched from boom to bust and advised the Government to take that course. It was again extremely bad over the past five years when the conduct of monetary policy also lurched from boom to bust. The Bank and the banking regulators allowed far too much credit up to 2007 and then starved the markets of money and kept rates too high in 2007-08 and into 2009, and we lurched from boom to bust. That was not a global crisis: those events were not happening in India, Australia, Canada or China, but they were Atlantic events—America did something similar. Britain did that and we must not do it again.

My policy recommendation to the Treasury is that I hope that the Chancellor will make it very clear in the next couple of weeks that we do not need any more money printing or quantitative easing in the current circumstances. The economy is growing, jobs are being created and inflation is still running at somewhere between 3% and 4.5%, depending on which index one relies. When we talk to business, we hear that there is a lot of inflation out there in the pipeline thanks to commodity price increases and increases in the world supply line prices now. Those increases are largely fuelled by the enormous quantitative easing under way in the United States of America and we do not need Britain to fuel them further with more quantitative easing.

Kelvin Hopkins (Luton North) (Lab): Is not what is happening now simply the lagged effects of the Labour Government's reflations out of the recession?

Mr Redwood: No, I do not think that is true at all. The reason we are now beginning to come off the bottom is that monetary policy lurched from being too tight to being too loose. Labour always said that that matter was decided by the Bank of England rather than by it, but we now need to think ahead. Monetary policy has been loosened somewhat and there is a bit more money around—indeed, there is a lot of money in the world as a whole—and it would be a disaster to fuel great inflation from here. If we can hold public sector pay and prices down—

Kelvin Hopkins *rose*—

Mr Redwood: I shall not give way, because many colleagues want to join in. The hon. Gentleman knows that I normally give way generously, but too many people want to join in.

If we allow public sector inflation to take off, that £92 billion extra will be needed to pay for the extra costs and wages and will not be available for real increases in programmes that most colleagues would like.

Mel Stride (Central Devon) (Con): Will my right hon. Friend give way?

Mr Redwood: I shall not because we have to make progress. The £92 billion will go further if we can avoid high inflation. The Government should tell the Bank of England that the single objective is to get prices down, as it was asked to do, and to keep them down. More quantitative easing is not compatible with that aim.

My second point, which many colleagues will probably wish to address from their own, personal constituency experiences, concerns the lack of credit for business. Those two points are not contradictory, because while there has been a lot of money creation from which the public sector has benefited greatly by borrowing huge sums at very low prices, there has been a strict rationing of credit, particularly to smaller businesses, and a huge restriction on the balance sheets of the leading banks. One figure with which the House can never grapple is that the Royal Bank of Scotland—the state nationalised bank in all but name; we own most of the shares—has been on a drastic slimming course. It had a balance sheet of £2.2 trillion when it came into the public sector and by the end of this year, according to its plan, that figure will be down by £1 trillion—£1 trillion will have disappeared from the balance sheet. It is a global bank but quite a bit of that has an impact on the British economy.

It is not surprising in that climate that it is difficult for small businesses to get the money they want. So my second piece of policy advice to the Government is that they should tell the banking regulator that enough is enough. The bank balance sheets, which were trashed in 2007 by very lax regulation, are now in danger of being strangled by very tight regulation. The tier 1 capital ratios for example, which in some cases reached a scandalously low 4% in 2007 on Labour's watch when it did not seem to care about these things, are now at about 10%. That is job done for the time being. We could, by all means, come back to it if we have rapid growth and if there are incipient signs that there is too much credit, but that is not the current situation. We should take the brakes off a bit, particularly for the small business sector.

My third point is that we need to get some of that credit into the big projects that the country needs. I hope that Ministers will make urgent moves to clear the ground on planning, regulation and general background so that the country can again get on with building power stations, transport links and the broadband links it needs to fuel growth. While I hope that all or most of those projects will be privately financed—another reason why we need to fix the banks more quickly—I hope that Ministers in this Government, unlike in the previous Government, will make rapid decisions so that the private sector can get on with that job.

Let me address two final issues. First, in order to collect £176 billion extra in tax in year five, from year zero in the plan, the Government need to optimise their tax rates. They accepted in their Budget statement that to go above 28% on capital gains tax would lead to a reduction in revenue. I welcome the development of wisdom in the Treasury on this important point, but I have bad news—28% is not the optimising rate for capital gains tax and 50% is not the optimising rate for income tax. I would like to tax the rich more—that will surprise colleagues and delight the Opposition—but the way to do that is to cut the rates. We need to do that to attract them here, keep them here and make them honest here, and we need to have rates that maximise the revenue from the rich—the sooner the better—to hit those targets.

Colleagues will be delighted to hear that I have come to my final point. We were promised deregulation and were told that there was going to be a mighty freedom Bill. The Deputy Prime Minister was supposedly toiling away in his enormous room in the Cabinet Office that was inherited from the Lord Mandelson regime and no expense was to be spared in making sure that we had a really big deregulation Bill. I now hear rumours that it is going to be a civil liberties Bill from the Home Office. Will the Minister, who has responsibility for small businesses, champion a proper deregulation Bill? Deregulation is the tax cut for business that does not cost the Treasury a penny. Indeed, it could be the tax cut for business that saved the Government money as well.

There is too much needless regulation and too much regulation that does not do the job. Labour introduced extremely complicated mortgage regulation and more of it is out there. It obviously failed. As soon as we had

[Mr Redwood]

all the regulation, the mortgage banks went down—something that they had never done before—because the wrong thing was being regulated. I want to regulate the cash, capital and solvency of those banks, but to make it easier for people to borrow money. Does the Minister know that the mortgage market is seizing up through too much of the wrong kind of regulation? Will he get on and fix it? I hope colleagues have a great debate.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. As colleagues will see, this is a very popular and important debate, and a number of colleagues wish to participate in it. A five-minute limit has therefore been introduced.

2.29 pm

Mr Virendra Sharma (Ealing, Southall) (Lab): I am grateful for the opportunity to speak in this important debate. Economic growth in the UK in the months and years ahead is extremely uncertain for two reasons. First, the Government's reckless gamble to eliminate the structural deficit in four years by reducing public spending by £81 billion is resulting in 500,000 public sector job losses and a further 500,000 private sector job losses are likely. This will impact on growth, causing a double-dip recession at worst and stagnation in the UK economy at best.

Mel Stride: Will the hon. Gentleman give way?

Mr Sharma: Let me make some progress and the hon. Gentleman can try again.

Secondly, having been caused by international factors, the current economic uncertainty and any prospects of growth are still going to be greatly determined by what happens in the international economic arena. Let me begin, then, with the international dimension.

Only yesterday, the Governor of the Bank of England warned:

"The outlook for growth is highly uncertain",

explaining:

"The contribution of net trade to growth has so far been weaker than the Bank of England Monetary Committee had expected, and it is unclear how persistent that weakness will prove to be."

In other words, Britain's exports and trade with the world are not boosting our hopes for economic growth, despite a 25% reduction in sterling over the last three years.

Joseph Johnson (Orpington) (Con): On a point of fact, the Governor of the Bank of England did not say that the growth outlook was tremendously uncertain, but that the inflation outlook was very uncertain. He said that, in his estimation, the UK's economic recovery was likely to continue.

Mr Sharma: I have the facts here and we must agree to differ on their interpretation.

The Governor of the Bank of England added that unless the G20 nations at the current summit in South Korea work together on trade and tackle imbalances between creditor and debtor nations, the world economy is likely to be damaged. He said:

"What is most important at present, given the difficult and dangerous times that the world economy faces, is that the world leaders at the G20 have a constructive approach... We are in a position where the world economy can be a win-win outcome, but I'm afraid we're also in a position where it can be a lose-lose."

These are indeed difficult and dangerous times for the world economy and for UK growth prospects. Britain is particularly vulnerable to economic shocks in the eurozone. UK banks are exposed, with many loans to Ireland, Greece and Spain. Rumours of an EU bail-out of Ireland were rife in the financial markets only this week.

Equally, in the wider international economy, China, Brazil and India have all seen economic growth reducing. This all means more uncertainty as Britain tries to rebalance its economy away from being reliant on financial services and consumer spending on domestic service industries and more towards export-driven sales of our manufactured goods. My right hon. Friend the shadow Chancellor is right to say that the previous Government became over-reliant on tax receipts from the financial services sector, so it is right that, as we go forward, we try to build our manufacturing base back up and sell more of our goods in the world market, but it will not be easy.

I shall now deal with the domestic economy and growth—or, given the Chancellor's reckless plans as laid out in the spending review, perhaps I should say the lack of prospects for such growth. The growth figures of 1.2% and 0.8% for the last two quarters have indeed been welcome news, but have nothing to do with the Government's decisions since coming into office. The truth is, in fact, quite the opposite. Those two growth figures show the positive effects of the previous Government's fiscal stimulus. When carefully analysed, the figures also show that much of the growth was due to a temporary and seasonal upturn in the construction industry.

If Members care to look at the predictions for the UK construction industry going forward into 2011, they will find talk of recession. This is not surprising, given the Government's decisions in the emergency Budget and the spending review. If the housing capital budget is slashed by more than 50%, it does not take an economic genius to work out that the construction industry is going to take a hit. Equally, the cancellation of the Building Schools for the Future scheme, and the 60% reduction in the capital budget for schools, will also have a severe recessionary impact on the construction industry.

Let me illustrate that point with examples from my constituency and local borough. Ealing was due to have 18 schools either completely rebuilt or significantly rebuilt or refurbished. Some £305 million was to have been spent on those projects, representing a substantial boost to the local and regional economy, in addition to meeting the need for extra school building due to a rising demand for school places in the borough. Those plans were brutally cut in the emergency Budget, and in the end we managed to rescue projects for two sample schools, one of which is Dormers Wells high school in my constituency. However, we still face the withdrawal of almost £250 million of public money—

Mr Deputy Speaker (Mr Nigel Evans): Order. I call Sam Gyimah.

2.35 pm

Mr Sam Gyimah (East Surrey) (Con): Thank you, Mr Deputy Speaker, for allowing me to speak in this important debate. In the short time that I have available, I shall focus on small businesses. Many Government Members agree that to get the economy back on track, we need small businesses and the private sector in general to begin to employ people again. We also believe that only when the private sector begins to employ people will we lift the country up and get it back on its feet. I want to tackle three elements that affect small business: first, the funding environment in general; secondly, the regulatory regime; and thirdly, the access to talent.

On the funding environment, much has been said in the House over the past few weeks and months about the need for banks to lend to small businesses, but we need to consider how banks treat small businesses in general. There is an institutional bias against small businesses in terms of lending money to them. Many banks would rather not do so, because the revenue profile of small businesses is too volatile, and banks tend to see that as equity-style risk, so they stay away from it. There is also an institutional bias in terms of the absolutely critical bank charges that small businesses have to endure.

Ms Louise Bagshawe (Corby) (Con): Is my hon. Friend aware of the invidious practice, so prevalent in my constituency, whereby banks ask the directors of small businesses to give personal guarantees, despite the healthy shape of their balance sheets? Such practice discourages entrepreneurs from developing small businesses.

Mr Gyimah: I agree 100%. For many small business men or women, the only way in which they can get the banks to give them credit to grow their businesses is to put their own assets on the line, and that is unacceptable because those people often take on a lot of risk to keep their business going. In looking at the funding environment, we need to get banks not just to lend, but to consider everything else, including credit.

It is great to see new small businesses trying to step into the breach, however. I came across a business called Funding Circle, which encourages lending by private individuals to small businesses, but that is nowhere near enough compared with what the big banks can do.

Mr Chuka Umunna (Streatham) (Lab): Will the hon. Gentleman give way?

Mr Gyimah: Sorry, I do not have much time.

Another thing that the Government can do, in particular, is look at cash flow. One of the biggest things that determines the fate of a small and growing business is the amount of cash flow, and national insurance and VAT are the key drivers of that. The Government have made the right decision by giving certain businesses national insurance holidays, but it would be great if we could extend that to more businesses.

Ian Murray (Edinburgh South) (Lab): Will the hon. Gentleman give way?

Mr Gyimah: Sorry, I have to push on.

We need to look at not only national insurance, but the VAT threshold. Ideally, it would be helpful to small businesses if we raised the threshold, but that is not going to be easy in the current environment, so perhaps we should ensure that Her Majesty's Revenue and Customs, with its "Time To Pay" policy, does not clamp down too hard on small businesses that are trying to keep their business going, keep people employed and do the right thing. That is absolutely essential.

Let me turn to research and development grants. The representatives of a thriving business in my constituency came to my advice surgery and told me that, to get any R and D grant from the Government, they would have to move to Cornwall. They are willing to put a significant amount of personal capital into their business, but because R and D grants are organised regionally and targeted at certain regions, and they are in the south-east, they lose out. We should have a flexible system in which the money follows innovation and ideas and is not just targeted at certain regions.

My right hon. Friend the Member for Wokingham (Mr Redwood) mentioned the regulatory regime. A big challenge for small businesses is employment legislation. If every time an employer uses an agency worker they have to calculate after 12 weeks whether they can take on the cost of employing them, we end up with perverse incentives whereby businesses try to make their employees self-employed when they are in fact full employees. The employer is trying to avoid either getting sued if something goes wrong on the employment side or paying national insurance. That does not help the business, nor does it help the Exchequer. I strongly encourage the Government to consider using the freedom Bill to deal with the "one in, one out" policy in relation to legislation for small businesses.

Another factor is access to visas for highly talented people. Many internet and technology businesses who employ computer scientists and require people from all over the world are struggling because of the current visa regime. The Government must consider that, especially as last week the Prime Minister said that we want to create a silicon valley in the east end of London. However, for many of these businesses it is not just about having a cluster in that location, but about whether they can get the talent they need to grow their business. Their revenue profile is such that it takes them a very long time to start gaining revenues. They have a long period where they are investing and testing their technology, and then, if they are successful, they start getting in revenue. If our regulatory regime is such that they are incurring huge costs, whether in national insurance, VAT or statutory employment costs, before they are a viable business, we are not giving them the chance to succeed in this country.

I thank my right hon. Friend the Member for Wokingham for pushing for this debate. If we really want to be pro-business, we should put our money where our mouths are, take away all this legislation, and make the funding regime better for small businesses.

2.41 pm

Michael Dugher (Barnsley East) (Lab): Thank you, Mr Deputy Speaker, for the opportunity to speak briefly in this debate.

[Michael Dugher]

For the past six months, Labour Members have had to endure speeches from Government Members based on the Andy Coulson script. I am allowed to criticise the No. 10 scripts because I used to write them, which is probably just one of the reasons we lost the election. The script basically says that the deficit is the only thing that matters, and that the deficit was caused entirely by the profligacy, over a decade, of the Labour Government. [HON. MEMBERS: "Hear, hear!"] My version was beautifully delivered, one might say.

Let me trouble the House with a couple of facts that run slightly counter to that script. Figures from the Institute for Fiscal Studies show that in the period from 1997 to 2007, public sector net debt fell from 42.5% of national income to 36.5%. That was caused—I know that this will come as a tremendous shock and disappointment to Government Members—by the economy growing and revenues increasing. Before the financial crisis hit this country—the biggest economic shock that we have had for nearly a century—our debt was down to the second lowest in the G7, despite our increasing public spending by the second largest amount among all the OECD countries. The size of the budget deficit was caused by the decisions that Labour Members took in response to that global financial crisis. I know that Government Members will disagree, but the truth is that there are people in my constituency who are in work, have managed to keep their home, and still have world-class public services because of the decisions that we took. We should not apologise for that.

The deficit does need to be reduced, but one of the ways of doing that is through economic growth—the subject of this debate. When I watched the Budget several months ago, I found it perverse when the Chancellor said in effect, almost as a matter of pride, "Because of the decisions we are taking as a Government, growth will be less than it was going to be, unemployment will be higher, tax revenues will be lower, and the payments we will make in benefits will be higher." About 490,000 public sector jobs will go over the spending review period according to the Chancellor, and PricewaterhouseCoopers estimates that another 500,000 jobs are at risk in the private sector because of the measures that the Government are taking.

Joseph Johnson: Will the hon. Gentleman give way?

Michael Dugher: I will not; Yorkshire men are normally very generous, as the hon. Gentleman knows, but we are short of time today.

Even the director general of the CBI has voiced concerns about where the jobs will come from. Next week, Professor Steve Fothergill of the centre for regional economic and social research at Sheffield Hallam university will launch a report, which I urge all right hon. and hon. Members to read, called "Tackling worklessness in Britain's weaker local economies". It has an important foreword by the leader of Barnsley council, Steve Houghton, and makes it absolutely clear that, under the Government's current framework, job demand in Britain's weaker local economies, particularly in post-industrial areas such as Barnsley, is low and unlikely to grow significantly in the coming period.

The situation is made worse by the cuts that the Government are making to local authorities, which will be particularly bad in areas such as my own, where the council tax receipts are lower and there is greater reliance on central Government funding. In such areas, the local authority is critical not just as a direct provider of employment but in generating private sector economic activity and employment. The "public sector bad, private sector good" view that Conservative Members put forward completely fails to understand that there is often a greatly complementary relationship between the two. Government support for a strong public sector is critical.

I ask Members also to examine the coalfields review produced by the former Member for Barnsley, West and Penistone, Michael Clapham. It made it clear that areas such as my own are more isolated than others and have a higher mortality rate, greater health difficulties, greater overall deprivation, fewer businesses per head of population and 25% fewer jobs per resident, and there are more young people not in education, work or training. Such areas are very different from others, and because of the Government's proposals, I, like other hon. Members, am very worried about their future.

2.46 pm

Ian Swales (Redcar) (LD): I should like to speak about growth through green technology, on which the Government have clear policies. I was very pleased to hear their announcements about the regional growth fund, carbon capture and storage, technology centres and investments in ports for wind technology.

I know that some people will be cynical about whether green growth and manufacturing is possible, but I shall speak about what is happening in Teesside to fill the House with a bit of enthusiasm for the future. Many companies there are already operating in the area of green technology or are about to start doing so, and I shall name a few.

Many people think that wind technology is the only area of green technology, and indeed there are companies in Teesside involved in it. Tata Steel, TAG Energy Solutions and Heerema Fabrication are all making wind turbine structures, and MPI Offshore, which runs turbine installation vessels, recently managed to put up 100 offshore turbines in under 100 days at Thanet.

There are also wave technology companies. Three companies—JDR Cables, CTC Marine and Brown Ltd—recently joined together to put in the new wave hub off Cornwall. In the area of fuel and energy, we have Ensus, which has the largest bioethanol plant in Europe; Harvest Energy, the UK's largest biodiesel manufacturer; SITA, which has the largest energy from waste facility in the UK and has recently announced an extension of it; INEOS Bio, which has Europe's first advanced bioethanol from waste plant; and Sembcorp, with the first large-scale wood biomass power station.

MGT has announced that it will spend £500 million on a new biomass power station, and Northumbrian Water has an anaerobic digestion facility that processes waste from an equivalent population of 1.9 million people. This week, a company called DRD Power has announced technology that should see an end to cooling towers in this country, because it will generate electricity from lower-temperature hot water.

There are many other companies involved. Greenstar makes recycled food-grade plastic packaging that is used by Marks and Spencer. The world's largest tyre reclamation plant is also about to start. I could go on, and I make no apology for going through that list, because those are exciting developments.

There is a tremendous cluster of expertise in Teesside, and the Government should encourage it as much as possible. Teesside has been an industrial powerhouse for more than a century. Traditional industries, such as ship and bridge building, bulk chemicals and steel have declined, but we are now seeing exciting developments, which follow growth in offshore technology.

Local expertise can be built around such clusters, and that is obviously already happening. As we have just heard, joint bids can be made for projects. Local education establishments are focusing on the skills that are needed and are creating a system of apprenticeships to develop those skills.

Projects can also be implemented more quickly on Teesside. SITA's UK technical manager recently said that major projects can be achieved on Teesside in less than half the time it takes in many other places.

As a result of the clustering that I mentioned, Teesside is also a great place for carbon capture and storage, and I urge the Government to consider industrial areas such as Teesside for carbon capture and storage grids and not to look just at coal-fired power stations.

Given those outstanding opportunities, the Government need to continue to help. They should carry on the seed funding provided by One North East for things such as the Tees valley industrial programme. I welcome the establishment of the Tees Valley local enterprise partnership and the regional growth fund.

The Government urgently need to clarify the long-term banding policy for renewable energy, especially biomass, and quickly to establish the green investment bank. Given all the expertise on Teesside, I recommend that the bank is put there.

I emphasise that all the projects mentioned are private sector projects. Government involvement could bring enormous leverage. In the end, many investors are ready to finance this new green technology. I recently met an investor who said, "Come to me with projects of a minimum of £20 million"—that was a minimum, not a maximum.

I am sure that the House would like to join me in congratulating those involved in the progress on green technology on Teesside—

Mr Deputy Speaker (Mr Nigel Evans): Order.

2.52 pm

Ian Mearns (Gateshead) (Lab): We need to put into context the debate on economic growth, or as I might, surprisingly, put it, the new deal programme proposed by the right hon. Member for Wokingham (Mr Redwood), who seemed to be talking about a public sector growth package at the end of his speech, which was very welcome.

The consensus on the Government Benches is that it was a waste of money to use the regional development agencies to put public investment into the regions to stimulate economic growth, revitalise our northern cities and increase wealth, prosperity, enterprise, quality of life and opportunities. It is clear that many Government Members, including many Liberal Democrat Members, think that 13 years of sustained public investment were a complete waste of effort and resources.

Clearly, that must be the coalition's position, and the position that all Government Members adhere to. Why else would they have abolished the RDAs within days of taking office and replaced them, down the line, with local enterprise partnerships, which have no resources to establish themselves and no fixed agreement as yet on their boundaries, and which, despite the Government mantra that decisions are best made locally, cannot be established without the Secretary of State's say-so. Once established, they will have little in the way of resources and will have to bid for money from the £1.4 billion regional growth fund, which runs over three years. That is substantially less than the predecessor RDAs had from the previous Government's coffers to regenerate our regions.

For the many Government Members who have probably never been north of Watford, or who hold the view that regional development agencies were wasteful and ineffective, let me say just a few words about my region, the north-east, and about the regional development agency, One North East.

Thanks to the work of One North East and the efforts of local authorities and other partners in the north-east, we were able to secure a major turnaround in our region's economic fortunes. The region is still heavily dependent on the public sector, but in the period immediately before the 2007 financial crisis and recession, private sector growth in the region was significant. During that period, the rate of economic growth in the north-east exceeded that of London and the south-east, and was substantially higher than the national average. The proportion of new business survival was higher than it had been for decades, and our business failure rate, in very tough circumstances, was no worse than the national average. The north-east saw year-on-year reductions in unemployment from 2000. Between 2000 and 2005, unemployment in the region fell from 108,000 to 64,000.

The north-east is now recognised across Europe as one of the regions that put science and technology at the very heart of its economic strategy. Science parks such as Knowledge Campus in my constituency and NETpark in the constituency of my hon. Friend the Member for Sedgefield (Phil Wilson) have helped to support that high-tech industry growth as a major investment into the region's key sectors. Innovative industries such as health science, new and renewable energy and process industries, and creative industries such as content-based businesses, including computer games and video production companies, grew faster in the north-east than in the vast majority of the rest of the country. There are now more than 2,800 creative businesses operating in the north-east, employing 26,000 people.

The RDA, One North East, was pivotal in rejuvenating those industries in the region, and incredibly importantly, our tourism industry. Its highly acclaimed and award-winning "Passionate People, Passionate Places" advertising campaign has brought significant growth and coherence to the region's tourist industry. In Newcastle and Gateshead alone, 20,000 are employed in the hospitality industry. However, the campaign's success has gone far beyond

[Ian Mearns]

the region's core conurbation of Gateshead-Newcastle—it has brought new life into rural Northumberland, County Durham and Tees valley.

That is not exactly a picture of failure. In fact, it is a great success story, but this Government, because of their blind addiction to a particular economic ideology, now want to jeopardise that success to the point of extinction. That is tragic.

2.56 pm

Julian Smith (Skipton and Ripon) (Con): As a small business owner, dealing with employment law took more hours of my time than any other management responsibility. Since 1997, employment laws and regulations have been piled on to British business from both Labour and Brussels, but for the employer, particularly the many small businesses in my constituency, that has meant a major cost in time and money. The intense focus on employee rights has ended up with the employer spending a huge amount of time ensuring that he or she is abiding by the law, and wary of the consequences of even the most innocent error.

Under the previous Government, the cumulative effect of employment law fundamentally changed the playing field and left employers feeling defensive, rather than confidently hiring new staff. The other day I saw a friend of mine who is setting up a new business. She told me that she had been advised to take her staff on short-term contracts rather than hiring them as permanent staff to avoid all the pitfalls. Therefore, at the key moment when we need more jobs—in fact, hundreds of thousands of jobs—the advice to a budding entrepreneur is to avoid permanent staff if possible.

According to the World Bank's "Doing Business" report, employing workers in the UK has become harder every year since 2007. We have slipped from No. 17 to No. 35.

Mr Umunna: Will the hon. Gentleman give way?

Julian Smith: I am sorry, but I will not.

Statistics do not take into account the effect on small businesses of the sheer worry of all those burdens, nor the reality of a world where Britain will be under increasing pressure to attract internationally mobile jobs.

Mr Gyimah: Will my hon. Friend give way?

Julian Smith: I am sorry but I will not, because then I would be biased.

As a headhunter working with some of the biggest companies in the world, I saw just how easy it was to put a senior employee in an international location rather than the UK. I have long list of examples of when London came last in the choice between London, New York and Asia. That will happen without fanfare or fuss, which is why our employment policies must be ruthlessly competitive, as must our tax and immigration policies.

Over the next few years, we desperately need people to take the risk and set up businesses, invest in existing ones and create jobs here in Britain. Labour accelerated its depressing legacy of employment law in its dying days. We have been left with the agency workers directive, the Equality Act 2010 and additional paternity leave. Each will have a major effect on British business, and the Brussels juggernaut has been relentless too. The pregnant workers directive will add £2 billion of cost to British business if it gets through. The coalition is trying to address these issues through a set of attractive policies to create the best conditions for growth—scrapping the job tax, the national insurance holiday for businesses outside the south-east and cutting corporation tax.

I pay tribute to the Minister of State, Department for Business, Innovation and Skills, my hon. Friend the Member for Hertford and Stortford (Mr Prisk) who is doing a phenomenal job for British business. We need to let business focus on growth, and the coalition is pushing forward with additional legislation, including removal of the default retirement age, the shared maternity and paternity rights, and the right to request training. Those are key measures that will be introduced next year.

Last week, I had an Adjournment debate, in which I urged the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Kingston and Surbiton (Mr Davey), to have a holiday on employment law for 2011, the year when we need more jobs than ever to be created in this country. I also urged the Minister to show British business a light at the end of the tunnel and do a full and thorough review of employment law, staying true to the coalition agreement of "one in, one out" and applying that to employment law as to every other regulation. If we are able to achieve both an employment law holiday and a full review, the coalition will have grasped the employment law nettle and begun yet another good initiative for growth in this country.

3.1 pm

Rachel Reeves (Leeds West) (Lab): I thank the Backbench Business Committee and the right hon. Member for Wokingham (Mr Redwood) for organising the debate. On the eve of the G20 summit in Seoul, it is especially timely, because growth is the missing plank in the Government's policy. Yes, we need to bring down the budget deficit, but if we deny the need to grow the economy, we will fail to create the jobs that we need, and a rising dole queue means a bigger welfare bill with less tax coming in, as the shadow Chancellor has put it.

History has taught us that economic recovery following a large-scale financial crisis is tough and that the wrong economic policies from the Government can make things worse. The USA saw signs of positive growth in the 1930s, and fiscal stimulus was withdrawn. The result was the great depression. In the UK during the 1980s, the Government maintained that there was no alternative and raised interest rates to tackle inflation. The result was recession, massive social disruption, huge unemployment, rising public spending and communities that have only recently begun to recover.

Mel Stride: Will the hon. Lady tell the House what the lesson was of 1976, when a former Labour Chancellor had to go cap in hand to the International Monetary Fund, because once again a Labour Government had spent the economy out into the long grass?

Rachel Reeves: When the hon. Gentleman makes his speech, perhaps he will explain the exchange rate mechanism crisis.

In 1990 Japan had a debt to GDP ratio of 50%. The Government failed to take the swift action necessary to help the economy recover from recession and the result is that, 20 years later, debt in Japan stands at 190% of GDP. Those are the facts. Concentrate too much on one economic variable and we have an unbalanced economy that fails to achieve our economic objectives.

Despite these facts, the Government say again that there is no alternative. Let me offer an alternative programme for growth in which the Government act strategically on the side of business and industry. What would that mean in practice? First, there is a real and pressing need for the UK to be at the forefront of businesses for the future, especially low-carbon industries. To make the most of Britain's potential requires a Government who support businesses. Instead, we had the tragedy of the cancellation of the loan to Sheffield Forgemasters. That company is a UK success story. It is British-owned, high tech and high skill. The owners built the company up from scratch and it has become a leader in its field. The loan—I emphasise that it was a loan and not a grant—was signed off by civil servants in the Treasury and was a product of two years of careful negotiation. Lord Digby Jones said that the loan would have been paid back 100 times over in benefits to the economy. Before the election, the Deputy Prime Minister described the loan as

"just the sort of thing"

we should be doing, and I have to admit that, on this occasion, I agree with Nick. The loan would have created jobs in the low-carbon industry of the future and added greatly to Britain's export capability. However, as we all know, the loan has been cancelled, so instead of exporting civil nuclear components, we are exporting jobs to Japan and South Korea. That is not a strategy for growth, but a strategy for undermining it.

The second part of a strategy for growth must include promoting bank lending. The Prime Minister met business people in Watford last week who talked to him about the reluctance of banks to lend and how it was stifling job creation, and the Prime Minister admitted that it was difficult to know which levers to pull to get banks to lend more. His confusion does not surprise me, because I have read the Government's Green Paper on bank lending. I read it once and assumed that I had missed the section on the action the Government plan to take, so I read it again. But it was not me; it was the Green Paper—a very green paper indeed. There was nothing there! The Government are not taking action. The review of the structure of the banking sector is still a year away, and in the meantime businesses are being denied the chance to grow.

The third component of a growth strategy is investment in the skills of the future. As the Prime Minister has just led a delegation to China, it is timely to reflect that in China and India last year 8 million people graduated from university. In contrast, on investment in higher education, the Government have reduced the university teaching grant by 80% and are making students bear the full cost of a university education. This is no way to grow the British economy.

The fourth component in a strategy for growth must be investment in our regional economies. In my region of Yorkshire, we take huge pride in our industrial heritage, and we want to build a future we are proud of as well. However, while the Leeds local enterprise partnership has been given the chance to go ahead, I have not found a single business leader in Leeds who would not prefer to continue with our successful regional development agency, Yorkshire Forward. A quarter of Yorkshire will not even be covered by a local enterprise partnership, and in the north-east that rises to more than 70%. Support for RDAs is strong not just in Yorkshire. John Cridland, the policy director at the CBI, likened the Government's regional and economic strategy to throwing the baby out with the bathwater.

Where does this leave us? Investment in Sheffield Forgemasters will not go ahead, the banks continue to rein in lending, university funding is cut to the bone, and powers are being taken away from our regions to determine their own economic future. We all agree that the budget deficit needs to be cut, but the Government must match their ambitions for cuts with an ambition for growth that British businesses and workers can be proud of. Britain could be a world leader in the jobs and technologies of the future, but only if the Government put in the policies to make this a reality.

3.7 pm

Mike Weatherley (Hove) (Con): Many Members will now be aware that the expertise I bring to the House includes music-related issues. The banks do not have a good record of lending to this industry, so let me set some background. Since the 1960s and the first so-called British invasion, the UK's musical talent has dominated the world stage. Last year, one in 10 artist albums sold in the US and Canada were made by UK artists, and Britain is one of only three net exporters of musical repertoire in the world. The 2008 report by the PRS for Music showed that British artists earned £139.6 million overseas, up 15% on 2007. International royalties have more than doubled since 1999.

The top-five touring PRS music acts in 2008 were, in order: first, the Police; second, Iron Maiden; third, Coldplay; fourth, the Spice Girls; and fifth, Elton John. For the UK, music is an enduring worldwide success story. It is vital that our music entrepreneurs, like any other small businesses, can gain access to the sort of finance that will ensure our creative talent keeps blooming. Unfortunately, however, evidence suggests that this simply is not happening right now. Early in 2009, the UK Government, with EU support, provided UK banks with €1 billion to invest in British small businesses. The scheme to enable the distribution of this money was called, as I am sure many hon. Members know, the enterprise finance guarantee. On 1 March 2009, legislation specifically sought to identify suitable music, composers and own-account artists—in other words, those artists looking for financial support outside the ever-shrinking record label investment—for EFG money.

The enterprise finance guarantee has failed the music sector. Research by UK Music and the Music Managers Forum has yet to identify a single example of a musical entrepreneur who has benefited from the scheme as originally intended. I hope that I am not alone in finding that attitude hugely disheartening. The previous Government talked about developing initiatives to support the creative industries, and especially music. In a report called "Banking on a Hit", published as long ago as 2001, they concluded:

"Whilst small music businesses are similar in many respects to other small creative businesses, there are important differences which give rise to unique problems in raising finance, and contribute

[Mike Weatherley]

towards a 'funding dilemma' for Britain's music businesses. Difficulties in raising finance are affecting the ability of the music business to grow and prosper."

Mr Gyimah: Does my hon. Friend think it important that the Government ensures that banks do not use the enterprise finance guarantee to lend to businesses that they will lend to anyway, while ignoring important businesses such as the ones that he has mentioned?

Mike Weatherley: I agree entirely. UK Music has identified situations where banks will not lend to music businesses, even though they will guarantee the other 25%, because they consider them too risky and because they intend to lend to businesses to which they would perhaps already be lending.

I am delighted that the Department for Business, Innovation and Skills has announced that it will work to make the EFG more transparent and accessible. I am also delighted that a further £2 billion is to be provided to UK banks, and that the scheme has been extended. Specifically, I would like the Government to apply pressure to the banks to reverse their prejudice and apply EFG funding to British artist and music businesses, together with the £25 million of EFG credit set aside specifically for investment in music, and especially in young British artist talent. The figure of £25 million is what music industry leaders have advised is the lending required to ensure that we remain a net exporter of music and continue to be internationally competitive.

Music is not merely entertainment; it is a national and economic asset. With the right support, our artists, musicians and entrepreneurs will continue to dominate the world and do this country proud, but the Government need to work with the banks to ensure that development capital is available.

3.12 pm

Mr William Bain (Glasgow North East) (Lab): Thank you for giving me the opportunity to contribute to this timely debate, Mr Deputy Speaker. It is a pleasure to follow the hon. Member for Hove (Mike Weatherley).

Recent studies raise real concerns about the likely path of economic growth in the coming years, given the Government's over-hasty proposals for fiscal consolidation and the lack of sufficient measures on innovation and research and development to amount to a genuine strategy for growth. This morning, the Fraser of Allander institute, the respected Scottish economic forecaster, published its latest economic outlook. Although it points to an upswing in growth in the second quarter of this year, largely caused by improved performance in construction, growth in the Scottish economy is expected to be an anaemic 1.1% next year and only 1.9% in 2012. The report also warns that wider public sector cuts could have a disproportionately greater impact on the Scottish economy when compared with the UK economy as a whole. The institute predicts that the expected reduction of around 11% in the Scottish Government's budget by 2014-15 could result in the loss of between 49,000 and 113,000 jobs over the next five years. That could mean as many as 60 jobs being lost in Scotland every day for the next five years. It is likely that unemployment in Scotland will continue to increase relative to the UK in the next year, with construction and business services being the hardest hit.

Across the UK, although the National Institute of Economic and Social Research predicts that a renewed recession may be avoided, with a weaker recovery and dampened growth, the public finances are likely to recover far more slowly than the Office for Budget Responsibility and the Government have predicted. The next decade for our economy may turn out to be more like the 1990s were for Japan than they were for Canada. The grave danger is that, far from promoting private investment, the Government's plans for fiscal consolidation run the risk of crowding out growth. There has not been the surge in exports that the Chancellor predicted, in spite of an exchange rate that is favourable to exporting businesses. The Bank of England's inflation report this week says that UK exports continue to lose global market share relative to our competitors. With other EU countries also cutting their deficits, the possibility of a strong export-led recovery is far removed from that which Canada experienced from a fast-growing US market in the 1990s.

PricewaterhouseCoopers has produced a sectoral analysis of the likely impact throughout the UK on jobs and businesses of the Government's fiscal policy, which suggests a 4% loss in output and more than 180,000 job cuts due to reduced public sector demand, and larger relative cuts in the construction sector, with an output loss of around 5% leading to around 100,000 job losses. Scotland, Wales, Northern Ireland and the north-east of England will suffer the biggest relative job losses. For the UK as a whole, total job losses could amount to 3.4% of total employment, or 943,000 jobs in absolute terms by 2014-15.

PricewaterhouseCoopers also questions whether the regional growth fund, and equivalent measures in Scotland, Wales and Northern Ireland, will provide a large enough incentive or access to funds to make a material difference, and whether local authorities or the newly created local enterprise partnerships will have the resources, financial powers and capacity to mitigate the impact of cuts and promote local growth.

The Government are simply not doing enough to invest in the new industries of the future and capital projects. There is a reduction in the number of grants for electric-powered and hybrid-powered vehicles, a lack of detail on the proposals for the green investment bank, and a reduction in capital and investment allowances to help small businesses. Keynes once said that when circumstances change, he changes his mind. We are seeing a change in circumstances for the worse in manufacturing, construction and business services. It is time for the Government to change their mind on their damaging economic policy.

3.16 pm

Mr Brian Binley (Northampton South) (Con): I congratulate the hon. Member for Glasgow North East (Mr Bain) on his speech, and I refer him to the same speech that was made in this place in 1990. He can look at the record thereafter, because the Thatcher Government did exactly what he said this Government will not do, so there are some examples of that.

I thank my right hon. Friend the Member for Wokingham (Mr Redwood) for initiating the debate. It was good to work with him on obtaining it. The number

of people who are speaking in it are clearly a vital part of the process—*[Interruption.]* I am sorry that I got the year wrong, but if the hon. Gentleman goes back a further 10 years, it will be about right.

I welcome the Minister to the debate. I am delighted to say that Conservative Members have confidence in the work that he will do, simply because he knows business. The previous Government's failing was that they did not. That simple difference must be taken into account.

The truth of the matter is that the Budget strategy is dependent on growth, and that small and medium-sized enterprises are vital to the success of that strategy. It is that simple. The Government are saying the right things, and have had some success, but money is not getting through to SMEs, and we must ensure that it does. I urge the Minister to give us some answers on how that might happen.

There is no doubt that the Government's approach has been successful to date. Our international credit rating is much more secure than it ever was, and that is vital. The third quarter growth in gross domestic product was 0.8%, and in the previous quarter it was 1.2%. Bearing in mind that the average over the past 25 years has been 2.5%, that is pretty startling, and a good start for the Government.

Owen Smith (Pontypridd) (Lab): Does the hon. Gentleman agree that the principal component of that growth figure of 0.8% was in the construction industry, and was entirely driven by the stimulus that the Labour Government put in place? We have already heard that it is drying up.

Mr Binley: That is absolutely incorrect. Construction has played its part, but not house building. If the hon. Gentleman looks at the size of growth in the manufacturing sector, he will see that it has been a major element of our growth.

I had intended to talk about manufacturing exports, but time forbids that now. I will say, however, that all of that is good, but the sector is not getting the money it needs, and we must pay attention to that. The banks say that lending to business is increasing, and that it rose by 0.9% this August, compared with the previous August. That sounds pretty good, but when we look beneath the surface, we find that most of that money was lent in foreign currency to foreign businesses outside this country. The truth is that lending to British businesses dropped by £400 million.

Mr Umunna: I recognise the hon. Gentleman's comments about lending and about the struggles of small businesses and businesses in general. Was he disappointed, as I was, to see very little on lending in the comprehensive spending review Green Book? On page 30, we see mention of the £1.5 billion business growth fund, which was put in place by the British Bankers Association, but does he agree that that is woefully inadequate, given the difficulties that businesses are facing in getting access to finance?

Mr Binley: I want to see more, but we must also recognise that the mess that the last Government got the banks into is one of the reasons that they are not lending money now. That is why we need to encourage them to find more creative ways of lending.

Small and medium-sized enterprises are concerned about how the banks are dealing with them. Thousands are talking about the breakdown in relations with the banks. The number of complaints to the banking ombudsman is up by 119% this year alone, and 14% of all SMEs are now using credit cards to pay for their business expenses. That is an horrific figure. According to the Federation of Small Businesses survey, 31% of SMEs—that is 1.4 million small businesses in this country—say that bank lending is the most important way of improving growth prospects in the sector. When are we going to get the message? Those figures underline the great importance of this matter.

The reasons that growth is important, and that small businesses will not be able to play their part unless they get the money to finance their growth, are very simple. Most of the money they need to finance growth is short-term money for extra labour, extra materials and extra resources. Those are all short-term requirements, and businesses must have them in place before they can grow. The truth is that the payback time is relatively long term. Businesses often go bust more in an upturn than in a downturn because there is no other way of paying back that cash flow drag than through retained profit. They go bust because they try to over-trade but without having the finances to complete the process. Those businesses need our understanding. What are the Government going to do about this? They need to take action for the short term very soon. I know that my hon. Friend the Minister is sympathetic to that view, so this is not a criticism in every sense.

Basel III allows banks to lend money to the Government while still classifying that money as capital reserve. It is a complicated business and I am sure that it needs quite a lot of thought to decide how we use that opportunity to help to finance SME growth. The Minister is a very clever chap, as is the Chancellor, and they have some very clever people in the Treasury. I am sure that it is not beyond the wit of that group of people to give us answers today on how we might release that money to help the small businesses that are in such great need. I repeat that we need to provide money for small businesses in order to make the strategy work. That is the important factor in this debate.

We also need to look into providing businesses with a greater choice of banks in the high street. That is longer-term work, but it still needs to be done as soon as possible. We need an extension of the enterprise guarantee scheme, and we need to know how the Government are going to implement it. We also need the Government to get tough with the banks, and to point out that there is a real need for them to be more interactive with small and medium-sized businesses, because that is not happening. But fine words butter no parsnips, as my grandmother would have said. I want to hear what action the Minister is going to take to ensure that small businesses get the money they need.

3.24 pm

Mr Jamie Reed (Copeland) (Lab): It is, as usual, an absolute pleasure to follow the hon. Member for Northampton South (Mr Binley). I did not come into the Chamber expecting to agree with so much of a Government Member's analysis of what we need to do, but he is absolutely right: the banks do need to lend more, the Government do need to make the banks lend

[Mr Jamie Reed]

more, and in matters of economic policy we do need to take a long-term view. Those are fundamental principles with which I agree.

Whichever side of the House we may be on, we all know the basic Clinton mantra about what secures electoral success and that is an article of faith in which we must all believe in the modern economy: "It's the economy, stupid." Those words were not reserved specifically for the Chancellor of the Exchequer, but we know that the economy is fundamentally a moral issue as much as anything else. The effects of economic policy are primarily seen and felt not on a balance sheet, but in our communities up and down the country. I believe that an effective economic policy redistributes wealth and opportunity fairly: it underpins cohesive communities, enables individual ambitions to be fulfilled, and allows families and businesses to flourish.

I commend the right hon. Member for Wokingham (Mr Redwood) on securing the debate, because we need to discuss this subject more. Given that we are experiencing a period of economic transition in this country and, indeed, across the globe, our debates in the House are sometimes mystifying. We need to discuss this subject much, much more.

I sincerely hope that the Government's economic policies work, because this is our shared interest and, surely, our shared goal, but I have to admit that I doubt that they will. It is undeniable that one of the worst aspects of the manufactured narrative surrounding the Government's economic policy is the polarisation of the so-called private and public economies. The Conservative and, now, Liberal Democrat mantra is "Private is good, public is bad." We should reject that flawed view. I say "Public is good, private is good."

Mr Gyimah: I think that what the Government are trying to say is that the state is not the same thing as the economy, and that pumping more money into the state is not the same as driving the economy. If we want the economy to grow, we need to enable the private sector to thrive. That is what the Government's policy is about.

Mr Reed: I entirely agree. This is not just about the state. However, economic policy should not be used in an ideological agenda to try to destroy the state, and we know that that is happening in this instance.

The "public good, private good" mantra is the one that we should adopt. Our national economy is one economy. "Public" and "private" are not segregated in our towns, villages and cities. As an analysis by PricewaterhouseCoopers has shown, it is not possible to cut the public sector without hitting the private sector hard as well.

Elizabeth Truss (South West Norfolk) (Con): Is it not the case that between 1998 and 2009, under the last Government, productivity increased by 20% in the private sector and fell by 4% in the public sector? It is the Government's management of the public sector that caused the two sectors to diverge during that period.

Mr Reed: I do not disagree with those facts, but I do not think that they are germane to the "Public bad, private good" mantra that we are hearing; quite the opposite, in fact.

The findings of the PricewaterhouseCoopers analysis are self-evident. The Chancellor has confirmed that as a result of his choices, the public sector will lose 500,000 jobs. PricewaterhouseCoopers has estimated that that will cost at least a further 500,000 private sector jobs, and the Chartered Institute of Personnel and Development has said that the Government's plans will cost 1.6 million jobs over the course of this Parliament. All the while, in the face of the facts, the Prime Minister and the Chancellor persist with their economic medicine irrespective of the condition of the patient, like Elizabethan physicians with an absolute belief in the benefits of leeches.

As was mentioned by my hon. Friend the Member for Barnsley East (Michael Dugher), for communities like ours what matters is where the pain is felt. Of course we want to see growth in all sectors throughout the country.

Andrew Bridgen (North West Leicestershire) (Con): Will the hon. Gentleman give way?

Mr Reed: If the hon. Gentleman will forgive me, I will not give way again. I have already done so twice.

At present, however, the Government have no growth policy at all for areas such as mine which depend heavily on the public sector.

There are only 650 parliamentary constituencies. It would not be difficult to undertake an impact analysis of the effects of these economic policies and spending cuts on each constituency. That could be done in short order, but it clearly has not been done. Why not? Is it because the analysis would demonstrate the pain and misery these economic policies will cause in areas and communities such as mine? In the absence of such analysis, policy is demonstrably being both produced and prosecuted in ignorance of its likely effects. What kind of policy is that?

The International Monetary Fund has told the Government to develop a plan B. The Government must produce a plan B, and, in the interests and spirit of the new politics, it should be brought before the House and debated so Members of this House can express their views on it.

The likely consequence of Government economic policy is that areas such as mine will suffer more than other parts of the country. Future Labour Governments will have to reverse that decline, but we will never be able to turn the clock back for those whose aspirations went unfulfilled, for those whose dreams were destroyed and for those whose lives were blighted as a result of this Government's current economic policies. My constituents and this country deserve better, and I ask the Government to think again.

3.30 pm

Margot James (Stourbridge) (Con): It is clear to me that the private sector's unleashing of enterprise and entrepreneurialism is what will produce the real and sustainable growth that is the subject of this debate. If the Government are taking almost 60% of GDP and spending it in ways that do not generate growth, and incurring massive debt in the process, the private sector will be trampled underfoot by the high taxes that automatically follow. The damage done to Britain's

economic prospects in the last 13 years has been great. As a country, we are overspent, over-borrowed, overtaxed and over-regulated.

There are 11,000 small businesses in my metropolitan borough of Dudley, and I want to make a few points about Government policies that I believe in but with which I hope we can go further and faster to help those businesses. They have told me how much they welcome the reduction of the small company rate of corporation tax to 20%, the revitalised support for apprenticeships, and the exemption of start-ups from national insurance on the first 10 employees.

The Government have also announced a one-in, one-out rule for introducing any new regulations. I ask the Minister to remember that we are competing with economies like South Korea and China, not Italy and Greece, and we simply cannot afford the massive burden of regulation that encroaches on business every day. One in, one out just keeps us standing still, and that is not good enough. We must be more ambitious in our desire to deregulate.

Another area in my sights for reform is the loving care with which Whitehall implements European Union directives. We should follow the example set by France, and followed out of economic necessity by the newer economies of the former eastern bloc. This week the Business, Innovation and Skills Committee investigated the operation of the enterprise finance guarantee scheme, which I am delighted that the Government have extended. I ask Members to imagine our surprise, however, when we learned that companies could not access this scheme if they were exporters. Under questioning from our Chairman, my fellow black country MP the hon. Member for West Bromwich West (Mr Bailey), the BIS officials before us confirmed that exporting companies were exempt from this excellent policy because of the EU rules regarding state aid to exporters and the potential for distorting trade between member states. Can Members imagine other countries, such as France and Poland, being so deferential to such directives?

As many Members have said, we also need a "big bang" in credit for the small business sector. Since the banking crisis, there has been much talk about the difficulties small businesses have had in accessing capital. That is nothing new. My business experience dates back to the mid-1980s and what I learned from my father's business career dates back even further, to the '60s, and I can tell this House that the banks never wanted to lend small businesses money when we needed it, and always demanded the shirt off our back if they were ever persuaded to do so. So I am not sure quite when those halcyon days of bank lending to small business existed.

What is needed is a greater diversity of loan and equity finance. Last week the Black Country Reinvestment Society issued a report arguing for more finance to be channelled through mutual and co-operative societies. I was pleased to be informed by officials in the Department for Business, Innovation and Skills that such bodies are to be allowed to bid for funding from the regional growth fund. In addition, the enterprise capital fund programme will leverage equity financing. We must also find a way of incentivising high net-worth individuals to invest in start-ups and small and medium-sized enterprises.

Not only must we increase the number of small businesses, but we must get the existing ones into a position where they can grow their business, because only about 20% of small businesses really achieve great growth. The policies that this Government are pursuing now—at last—and many of the ideas we have heard this afternoon, including some in my contribution, will double the number of small businesses that can grow themselves, and in turn provide the growth that this economy needs from the private sector.

3.36 pm

Mr Pat McFadden (Wolverhampton South East) (Lab): This is a timely debate. We have learned that my hon. Friend the Member for Glasgow North East (Mr Bain) was making speeches about growth when he was but eight years old, so we know that there has been significant interest in this matter across the House for some time.

We meet here today at the same time as the G20 meets in Seoul, and I wish to contrast the role that Britain played when the G20 met in London with what is happening at the current meeting. At the London meeting, the then Prime Minister, my right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), led the debate, shaped the debate and helped to pull the leading economies of the world together on an agenda that helped to prevent recession from turning into depression. What is happening at this meeting? Britain is playing no leading role, and the leading economies of the world are gathering together in an atmosphere of tension over exchange rates and trade imbalances. What a contrast between the London meeting and the one currently taking place.

Of course we all want to see economic growth, but it is also crucial for growth to be evenly spread throughout the country. We enjoyed many years of economic growth before the recession, and Labour put in place a determined and active sub-national policy to ensure that that happened.

Mr Gyimah: The right hon. Gentleman mentioned the G20. What the country needs now is not global summits and photo opportunities, but real policies that will actually drive growth. That is why we are having this debate here today.

Mr McFadden: If the hon. Gentleman wants to talk about outcomes, I would remind him that the action that the Labour Government took helped to ensure that the level of repossessions, business failures and unemployment during the recession that we are just coming out of was about half that in the recessions when his party was in power.

As I said, growth has to be spread evenly throughout the country. This is not just an economic question; it is a social and political one too, because if parts of the country are left out of the country's economic future, there is a profound disaffection that affects all of us. So what policies might we look to so as to ensure that such growth occurs? Of course, finance for industry is essential. We have reached a point where there is a dialogue of the deaf between banks and businesses. Businesses say that banks will not lend to them or will do so only on usurious terms, whereas banks say, "There's a lack of demand, and look at all the billions we're lending." The present Government say that the banks ran rings around the Labour Government, but the more they ramp up

[Mr McFadden]

the rhetoric the more they expose their own weakness, and their impotence to do anything about the situation. After six months of this Government, we have heard nothing that will increase bank lending to business.

I suggest that we should have a proper contract in place that goes something like this: the taxpayer rescued the banks from financial collapse, so we need a new consensus on the role of banking, which is that, as that rescue had to take place, the banks must play their proper role in putting forward finance for businesses to invest and grow. The truth is that we can have all the debates that we like about growth in this House, but unless the banks play their proper role we will not see the economic growth that we need.

Secondly, we need proper financial support for industry. We have been too hidebound by a fear of talking about picking winners. This has inhabited Governments—I include my Government in this—from playing their proper role in the economy. Of course that has to be done with care and with discerning judgment, but if we want to take advantage of the economic opportunities of the future—the transition to low carbon, the opportunities presented by the digital economy and other such matters—Government must play their role. As my hon. Friend the Member for Leeds West (Rachel Reeves) said, what happened at Sheffield Forgemasters was not just a lost opportunity for one company but a lost opportunity for the country, because it could have made us a world leader in civil nuclear supply.

Let me say one more word about that project. The Government, having run out of excuses, now say, "It is a good project, but it's unaffordable," while in the same breath boasting about having a regional growth fund of £1.4 billion. If they really have that regional growth fund, why was its first decision not to reverse that mistake and grant the loan to Sheffield Forgemasters? I approve of the action taken on AgustaWestland, but I do not see the difference between the two proposals.

Thirdly, we must do better on sub-national economic growth and development. The Government have abolished eight regional development agencies and we now have what the director general of the CBI calls "a shambles" coming to replace them. The process appears to be being run not by the Department for Business, Innovation and Skills but by the Department for Communities and Local Government. It has to be rescued, or it will do real economic damage.

More points could be made in the debate, but they will have to be made by others given the time limits. There is a profound difference in our view: the Government are engaged in faith-based economics, stepping out of the way, whereas we believe in an active role for Government in securing economic growth.

3.42 pm

David Mowat (Warrington South) (Con): One of the great pleasures of speaking in this place is occasionally hearing Members of the Opposition saying something that I agree with. I agree with both the hon. Member for Copeland (Mr Reed) and the right hon. Member for Wolverhampton South East (Mr McFadden) that we must ensure that growth is spread evenly across the country as the economy grows. Perhaps they should pause for thought, however, and consider the legacy that we have been left. The gross value added per person for the English regions that we have inherited is about half that for London and 20% less than that in the south-east. The fact that GVA in the regions is half that for the capital is staggering, and it is a situation that does not exist in any other OECD economy. We must fix that, and it behoves the Government to put into effect the policies that will stop that happening again.

I shall say it again: we have inherited a situation in which London has double the GVA per employee of the English regions, and that is not sustainable. The hon. Member for Copeland is right: it is a moral issue. Why has that happened? First, it has not happened simply because London is the capital. If that were the case, the same would happen in other countries, but it does not happen in the United States, in Germany or in Italy. In France, where Paris is dominant in the same way as London is dominant here, the disparity is not the same; it is not double. One small cause of the gap in the past few years has been the boom in financial services, which was unrestrained and went on for a couple of years. I should add that the widening of the gap accelerated during the last few years of the Labour Government.

That all happened here because we have a country that is very London and south-east focused. I spent 30 years in business constantly fighting initiatives to move functions to London, and fighting the idea, "This is important; we'll have to do it in London." That is a very tough thing to have to do, and it is like pushing water uphill all the time. Worse still, that attitude also exists in our civil service, in which London tends to be seen as the centre of everything. Another statistic that Opposition Members might like to consider is that capital spend per head under their Government was 50% higher in London than in the north-west. That is a terrible statistic, because capital spending at that level creates private sector jobs and all the good stuff that we need, and thereby creates affluence and prosperity.

We need growth in the regions, and as I have not heard a great deal from the Opposition about how to create that growth, other than by spending money on the regional development agencies, I shall make a number of suggestions. First, infrastructure matters more in the regions than in the south-east.

Alison McGovern (Wirral South) (Lab): Like the hon. Gentleman, I am finding a lot of cross-party agreement and I agree with much of what he says. Will he pause to congratulate the Labour Government on driving forward the west coast main line upgrade, and will he back the rail infrastructure campaign for the north-west that could do so much to build the infrastructure that he says we need?

David Mowat: I am about to address infrastructure. We need High Speed 2 to link the north-west as quickly as possible, as we need our rail infrastructure to be linked through to the channel. Yes, I will give credit to the Labour Government for getting the west coast main line done. While I am at it, I shall give them credit for getting the BBC to move outside the M25 and up to the north-west, but that has not been enough, because of the massive disparity in value added per employee that is their legacy.

Like infrastructure, energy matters. I have not heard it mentioned in the debate yet, but energy is a very important component of growth. Broadly speaking, a unit of gross domestic product generated in an English region is more energy-intensive than a unit of GDP generated in London or the south-east, because we have more manufacturing and industry that uses energy. It is therefore very important to our prosperity in the regions for energy to remain competitive. A particular problem that we have inherited is the price of our electricity, which is 30% more expensive than in France. That is a tough issue to start with, but I am concerned that some of the initiatives we are taking will make the problem worse. We need to build more nuclear power more quickly.

Mr Reed: The hon. Gentleman is making some terrific points, and I agree with many of his comments so far. He will know that the energy sector is responsible for approximately half of our manufacturing sector, and that we need to get quicker investment in UK manufacturing and industry on stream right now, facilitated by the Government and the private sector, including the global private sector, to meet our energy needs. Does he share my fear that the constant re-evaluation, reinterpretation and reformulation of planning policy is inhibiting that, and will cost the country financially?

David Mowat: There is a risk of that, but the nuclear power industry needs to press ahead quickly, which it did not do under the previous Government. I think that the steps being taken by this Government will help in that regard.

Energy is important. The magnificent technical achievement that is the wind farm in Thanet has just come on line, but it will require a subsidy of £1 billion over its life. That subsidy will be paid by industry and in jobs, so we have to be very circumspect about how we do that.

My third point about building the economy in the regions and what we need to do differently concerns skills. The industries that we need to generate the jobs that will make the household names of the next 30 years will be in fields such as advanced manufacturing and biomedical engineering. We need more applied scientists, more engineering graduates and, yes, more apprentices.

One damning statistic relating to the last few decades—not only under the last Government—is the fact that we produced more engineering graduates 30 years ago, when there were only a quarter of the number of people graduating, than we do now. That is not sustainable. We have not yet been punished economically for that, because of the success of the City and, to a large extent, because of the success of North sea oil in bailing out our economy. We will not get away with that again in the next decade or so.

On the regional development agencies, it is true that they did some good things. If we give someone £4 billion a year to spend, some of it will be spent well, but it was not cost-effective. We need to make certain that what replaces the RDAs works well.

Finally, if the coalition Government, too, leave a legacy of such disparity behind them, they should hang their heads in shame—in a way that I hope the Opposition Front-Bench team will think of doing now.

3.50 pm

Caroline Lucas (Brighton, Pavilion) (Green): Many hon. Members have talked about the need for more and more economic growth to get us out of the current economic crisis, yet there has been very little discussion of what kind of growth that should be or of how to ensure that it is genuinely sustainable. It is clear that if we return to the kind of high-street credit boom that was instrumental in causing the crisis in the first place, it is unlikely to offer sound foundations for a genuinely sustainable recovery. The priority now should be for the Government to invest in the green infrastructure that we so urgently need in order to make a transition to a zero-carbon economy as quickly as possible.

One million green jobs could be created through a real commitment to investing in renewable energy, energy efficiency and sustainable transport. In my constituency, the potential for green jobs is very high. I warmly commend the report "One Million Climate Jobs Now", which was produced by a number of unions and the Campaign against Climate Change. It points out that there is an environmental crisis as well as an economic crisis, although from the look of some of the media coverage in recent months, it seems as if that has been forgotten. There are ways of tackling the economic crisis and the environmental crisis at the same time through a real investment in green technology and green energies. That is a way not only to get our emissions to come down, but to create literally hundreds of thousands of jobs as quickly as possible.

From listening to previous speakers, I am reminded of the debates in recent years about targets. Our policy on growth is no more or less than a policy to increase gross domestic product by a certain percentage each year. Like any policy based around a specific target, it brings with it huge risks of distortion, unforeseen consequences and irrational outcomes. It is a familiar story across the public services. In health, we have had patients receiving the wrong care just so that an arbitrary target can be met. In education, we have had schools encouraging their students to take easier exams in order to try to make their record look better. Across the public sector we have had civil servants throwing money at wasteful projects as they come to the end of the financial year, rather than see it handed back to the Treasury.

When it comes to the economy, the distortion that comes from the pursuit of a single target is magnified tenfold. Gross domestic product does not differentiate the social values of different forms of economic activity, so a bank dabbling in stock-market speculation is on a par with a pharmaceutical company developing life-saving drugs. GDP has arbitrary divisions of what counts as economic activity. If someone helps out a neighbour by looking after their children, that is not economic activity; but if money is charged for doing so, it is.

GDP does not differentiate between revenue and capital. That is not just a technical distinction; it is a fundamental distinction, which is proper to the management of any business. If someone uses up capital, treating it in the accounts as revenue, the business is heading towards bankruptcy and the person is probably heading towards prison. Yet a Government who use up their capital—the country's natural resources—and treat it as national income can boast of delivering economic growth and increased GDP. We have seen that on a vast scale

[Caroline Lucas]

with oil and gas from the North sea: billions of pounds treated as revenue with no thought for the fact that it is just a one-off boost to the economy. For 30 years, that has made the UK economy look far stronger than it actually is. Instead of those proceeds being invested wisely in the future—in renewable energy or other ways to keep the lights on when the oil and the gas run out—they have been used to fund consumer booms that have led to the inevitable busts.

Perhaps worst of all, GDP does not count the full cost of production. None of the impact on our natural world and people's quality of life is covered by GDP. We have added coal, gas and oil to the credit side of the ledger and ignored their far greater negative impact on our climate, landscape and wildlife, on coastal communities and, above all, on those facing drought, flood and famine throughout the world.

The disastrous impact of the obsession of successive Governments with GDP growth affects every part of our policy making, yet there are alternatives. I commend to the House the work by organisations such as the New Economics Foundation and others, which produce measurements of our overall well-being that are far more meaningful than simple measures of GDP growth. In this debate, we need to move away from thinking that more and more GDP growth automatically means that we are better off, because there is plenty of evidence that it does not mean that. I hope very much that as the debate continues we will be more discriminatory in our definition of green growth.

Adam Afriyie (Windsor) (Con): The hon. Lady makes the very powerful point that money and economic well-being are not everything in life. Greater happiness provides for greater contentment, and it is good when people make judgments not solely based on money, so I very much welcome her contribution to the debate.

Caroline Lucas: I thank the hon. Gentleman for his comments.

Andrea Leadsom (South Northamptonshire) (Con): I, too, commend the hon. Lady's very powerful points. Does she agree that there is an opportunity to combine our strength in banking with our interest in a new low-carbon economy by ensuring that the green investment bank is as good as it possibly can be?

Caroline Lucas: Absolutely. The green investment bank will be critical to the transition that we need, but it absolutely has to be a real bank, not just a fund in the Treasury with "bank" attached to it. It has to be a genuine bank that can lend money, raise money, raise bonds and so forth.

Dropping the GDP target is not anti-jobs; it would allow us as a country to develop the measures and targets that reflect the immense complexity of our economy and society and put people's well-being at the heart of policy making. Many people talk of "sustainable growth", but we should unpack that phrase, because it is clear that on a planet with finite resources, the infinite production and consumption of natural resources simply is not possible. Efficiency gains will help, and technology will need to play a vital role, but there is a very real risk that with a rising population and understandably rising expectations from a growing middle class throughout the world, those efficiency and technology gains will be undermined by overall growth.

Behaviour change will therefore have to be a part of truly sustainable development, but that does not mean a less fulfilling quality of life. On the contrary, it is far more likely to lead to a better quality of life. There is plenty of evidence to suggest that although GDP growth has more than doubled in the past 30 years, our well-being and happiness have not. They have either stayed the same or, according to some indicators, even declined.

Finally, I commend to the House the report from the Sustainable Development Commission, called "Prosperity without growth?", by Professor Tim Jackson, which explores those issues clearly and makes the case that countries such as France, and even President Sarkozy, are beginning to look at those issues carefully. I am grateful to the Backbench Business Committee for raising this important question, and I hope that we can deal more critically with the idea of green growth.

3.58 pm

Richard Harrington (Watford) (Con): I join my hon. Friends the Members for Windsor (Adam Afriyie) and for South Northamptonshire (Andrea Leadsom) in commending the very good points that the hon. Member for Brighton, Pavilion (Caroline Lucas) made. I never thought that I would hear in this House a member—indeed, a leader—of a party such as the hon. Lady's commending the pharmaceutical industry, but I am sure that the sector will be very pleased to hear it.

It is easy to talk of growth in terms of numbers—another point on which I agree with the hon. Lady—but growth is about the production of goods and services and employing more people. It is easy for people who are in employment and wealthy to say, "It is not all about money," but we should not fall into that trap, because for most people the difference between growth and no growth is represented not by quarterly figures, but by the companies that are expanding, hiring more people and creating more jobs or by the people in the economy who are deciding to start a business themselves. The fundamental point is that growth in this country will occur only when more people decide that what they want to do with their lives is set up a business and employ people.

Unfortunately, over the past couple of generations it has become very unfashionable—I cannot say "uncool" because my teenage son would criticise a middle-aged person like me for using such a word—for young, bright people to have an ambition in life to set up a business, partly because of the lure of the professions, such as accountancy, law and the media. I know that from visiting very good schools in Watford, where very intelligent young people are well educated by the state. When they are asked who is interested in setting up a business, very few put up their hands.

We have to try to recreate the conditions where people who set up businesses are heroes in life—where people who employ other people are regarded as doing something that is very worth while. Government alone cannot do that, although they can try by setting up schemes, providing training, and so on. There needs to be a feeling of why people are going into business—to

create money and profit for themselves and their families, and for the community by paying taxes. Until we change and improve the philosophy, growth will be just something that one hears about at the top level.

The hon. Member for Leeds West (Rachel Reeves), who is unfortunately no longer here—she always speaks well and knowledgeably; I believe that she was at the Bank of England before she became a Member of Parliament—mentioned the recent visit to Watford by my right hon. Friend the Prime Minister. I was there with him, and it is true that the 10 small business people to whom we spoke in a round-table discussion raised the point about bank funding that has been mentioned to the Minister time after time. However, far more of the discussion—unlike me, the hon. Lady was not at the meeting, so she was not in a position to mention this—was about those business people feeling that their businesses were being held up by bureaucracy, ridiculous employment laws now applying to temporary staff, and health and safety regulations. One small business man showed me a 20-page document that he had to fill out to offer work experience to people from local schools. That is completely absurd. The Government must get to grips with the situation. I am pleased to find that various things, including Lord Young's report, are entirely commensurate with that.

Watford, as I am sure the Prime Minister would agree, is the hub of the universe. The Government—and the previous Government—have tried hard to encourage the film industry, which is very strong in Watford. Warner Bros has just announced an investment of £125 million in Leavesden studios. That will create many skilled, high-paid jobs that we need in the area. One of the reasons Warner Bros chose this country, and chose Watford and Leavesden, was the film tax credit that is given to people in the business. My right hon. Friend the Member for Wokingham (Mr Redwood) would say, with his experience and credibility, that that is a good example of how low taxation makes companies invest. That is very true. The film industry is picked out as a special case—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

4.3 pm

Ian Murray (Edinburgh South) (Lab): Let me start by congratulating the right hon. Member for Wokingham (Mr Redwood) on securing this important debate. I must confess that I could listen to him all day, for two reasons: first, he is one of the most engaging speakers in the Chamber; and secondly, if he were to speak all day, I am sure he would eventually say something that I might agree with.

The international financial crisis has affected every Government the world over, and getting back to sustained economic growth is the only real way to reduce the deficit and clear the financial crisis for good. The problem with this Government is that their Budget and comprehensive spending review have resulted in a set of conditions that harm growth. I would like to mention a few aspects of that which I am seeing locally in my constituency. As someone who runs his own small business—I have done so since I left university—I should say that many of the points that I will make concern things that I have experienced myself.

The first aspect is business confidence, particularly the small business confidence which, as many Members have said, is so important to economic growth. Many small business owners in my constituency currently see a quadruple whammy coming from the Government, which is not just stopping potential growth but risks causing contraction in the economy, with a real danger of pushing us back into recession.

First, there is a greater degree of nervousness among small businesses' customers, who are concerned for their jobs and those of their families. They are therefore spending less and see no light at the end of that particular tunnel. In fact, the Government's own figures, published by the Office for Budget Responsibility, show that 500,000 public sector jobs will go as a result of decisions made by the Government, and of course PricewaterhouseCoopers has projected another 500,000 job losses in the private sector. Many commentators are saying that that may be slightly on the low side.

Mel Stride: Will the hon. Gentleman give way?

Ian Murray: I will make some progress, if I may.

The instability of the job market is causing customers great uncertainty. All in all, they do not see the Government doing anything to assist in the job sector.

Secondly, such problems are always compounded by personal finance, which undoubtedly affects confidence in the small business sector. Products and services will be hit hard by any increase in VAT in January. I am disappointed that the hon. Member for East Surrey (Mr Gyimah) is no longer in his place, because he mentioned cash flow for small businesses, which is a critical factor in how they operate. Many of them go under not because they are not profitable but because of cash-flow issues. One of the main effects on cash flow of what this Government have put in place will come from the increase in VAT in January.

Many people have forgotten the other hidden increase that the Government have imposed on people, which will hit confidence even further. They say that they are not introducing a jobs tax, but they are keeping the national insurance increase for employees, which will compound the problem of confidence in personal finances even further. Individual families see job insecurity, significant job cuts, increasing VAT and less pay in their pay packets, so bottom-up growth through the small business sector, and particularly the service sector, will be sluggish at best.

Thirdly, despite the warm words of the senior bankers whom we have all spoken to over the past few months, businesses and particularly small businesses are not able to borrow to enable growth. Not even in Edinburgh, which is at the forefront of financial services in Scotland and one of the biggest financial services centres in Europe, can small businesses access financial services.

To be slightly fair to the banks—I never thought I would say that in the Chamber—that may be partly a matter of perception. They tell Members that they have adequate funds to lend, but small businesses are not coming forward and creating demand. The Government and all Members have to do more to get rid of the perception that banks will not lend. While it still hangs around, small businesses will not approach banks and their business managers to access finance. Let us call the

[Ian Murray]

banks' bluff. If they are telling us that the funding is there, let us all encourage small business to go and see their banks as soon as possible to have conversations about how they can borrow and therefore enable growth.

Fourthly, many businesses in my constituency rely on the public sector for contracts. If the public sector shrinks at the rate the Government wish, even though they want the private sector to take over, growth will be severely damaged by businesses not being able to access many billions of pounds of public sector contracts.

Several hon. Members *rose—*

Mr Deputy Speaker: Order. I am trying to see who is standing. I was going to take Andrew Bridgen, but I cannot see him. Ah, he is there at the back. Thank you.

4.8 pm

Andrew Bridgen (North West Leicestershire) (Con): I was standing up, Mr Deputy Speaker. *[Laughter.]* Thank you for the opportunity to speak in this most important debate, which has been overdue for some months. We certainly need to up our agenda for growth.

Those who know me—and love me—will know that I am not a great interventionist. I believe that the most significant influence the Government can have over business and growth is through mood music. We need to do more to create the right mood and give confidence to the private sector, on which we will rely to provide the growth needed to repair the immense financial damage and the hole left behind by the Labour Government.

Thomas Docherty (Dunfermline and West Fife) (Lab): Will the hon. Gentleman give way?

Andrew Bridgen: With some trepidation, yes.

Thomas Docherty: I can see why so many people love the hon. Gentleman. Does he not accept that if the last Government had not stepped in to save the financial services and the banks, there would be no private sector for him to want a growth strategy for?

Andrew Bridgen: I thank the hon. Gentleman for his comments. When the previous Prime Minister stepped in, the economy was at a precipice, and there is no doubt that we took a great step forward. *[Laughter.]* There you go.

We need all Departments to look at their role and at the mood music they create. As Arthur Laffer says:

"You can't love jobs and hate the job creators."

The question is what we do about that. We cannot love jobs and hate the people who create them. That must be at the forefront of the thinking and agendas at the Treasury and the Department for Business, Innovation and Skills. I believe that our Ministers do love the job creators, but it would do no one in the Chamber any harm if we wore our hearts on our sleeves a little more openly.

The Government's role is to set the conditions for business growth. The state of the public finances reduces our scope somewhat, but, to pick up a point raised by my right hon. Friend the Member for Wokingham (Mr Redwood), there is a method of cutting costs to business that will not reduce the Treasury's take by a penny: reducing and minimising regulation. Over the first 10 years of the previous Labour Government, the increase in the regulatory burden saw the UK fall from fourth to 13th in world competitiveness rankings, a trend that has, unfortunately, continued.

As anyone who runs their own business will know—I am afraid that there are more business people on the Government side of the Chamber than on the Opposition side, and I ran a business for 22 years myself—business owners have spent ever-increasing amounts of time ensuring that their businesses comply with all the latest rules and regulations emanating from an ever-increasing number of Government agencies and quangos at home and in Europe. That is an unwelcome diversion from working and developing the business, and I welcome the measures being taken to reduce the number of quangos. We must, however, ensure that those quangos that remain do not unnecessarily hold back businesses, because time always costs money in the business world.

It was Adam Smith who said that vexation is the equivalent of taxation. I believe that regulation on business is vexation, so regulation is the equivalent of taxation. The business of business is business, and the business of government should be creating an economic and regulatory environment conducive to business growth and development.

Susan Elan Jones (Clwyd South) (Lab): Would the hon. Gentleman support more efforts to increase access to broadband, given that the lack of broadband is one reason why businesses cannot properly develop, particularly in many rural areas?

Andrew Bridgen: I would, and I have asked questions about that of the Minister in this very Chamber. It is important to prevent rural isolation following the disastrous closing of the post office network in rural areas under the previous Government.

Only through a strong and vibrant private sector can our nation's long-term prosperity be assured. With that in mind, it is vital that we undertake measures to deregulate as soon as possible. I urge the Government to consult a document that my right hon. Friend the Member for Wokingham produced on this issue. His economic policy review in 2007 presented 33 specific areas where it was thought that the repeal of, and amendments to, regulations could cut costs and improve business efficiency.

I sit on the Regulatory Reform Committee, and I have severe concerns that it is simply not busy enough. I want the Committee to be one of the most active and busy in the House, which is why I support calls for the Government to bring forward a deregulation Bill as soon as possible and as a matter of urgency. Measures such as the scrapping of the home information packs produced no ill effects and got rid of regulations that did nothing but increase the burden of costs on consumers and business. We must continue that work.

We must also do more to tackle the gold-plating that we are so famous for in this country. EU regulations are signed up to by many countries, some of which do not have the will to implement them, some of which do not

have the administrative ability to implement them and some of which, unfortunately, have neither the will nor the administrative ability to implement them. We have both, and we are very good at implementing regulations. That is unsustainable and it puts a tremendous burden on our businesses. We need to look around Europe to see how countries deal with their regulations in a lighter way. If possible, we should adopt those approaches to make the UK more competitive.

The answer to bad government and bad regulation is good government and good regulation. Regulations almost curtailed the growth of my business 15 years ago, when they caused a seven-year delay on a factory relocation. Fortunately, we managed to find a way through that.

Thomas Docherty: On the relocation of factories, does the hon. Gentleman accept that the localism plans of the Secretary of State for Communities and Local Government will slow down planning applications and lead to more nimbyism? Will that not actually harm growth?

Andrew Bridgen: As so often, the hon. Gentleman is completely wrong. By incentivising local government by offering—potentially—10 years of business rates, the localism Bill will make local government considerably more business facing and business friendly than it was under the previous regime. Over-regulation is sending many businesses to the wall and dissuading many potential entrepreneurs from going into business.

We need an adult debate about taxation. Do we have taxation to provide the revenue for the essential public services that we need and deserve, or is taxation merely a tool for redistribution and a way to punish hard-working and entrepreneurial people, which is how I believe the previous Government often used it?

4.15 pm

Kelvin Hopkins (Luton North) (Lab): It is a pleasure to follow the hon. Member for North West Leicestershire (Andrew Bridgen), although I think we have very little in common politically. My politics are almost identical to those of his predecessor, the great David Taylor, a fine parliamentarian and a true socialist.

This debate is essentially about growth, but the Government cuts strategy will have the opposite effect. It is acknowledged that the cuts will drive up unemployment by something like 1 million, but there is speculation that that could go up to 1.5 million, which would mean a total unemployment level of something like 4 million. That will mean a massive loss of confidence for consumers, lenders and corporations as we plunge into depression, and years—possibly decades—of deflation. That has been described as the Japanisation of the economy, which is defined as the

"deflationary trap of collapsed demand that occurs when consumers refuse to consume, corporations hold back on investments and banks sit on cash."

That is what we face.

My views are perhaps best expressed by Paul Krugman, the Nobel prize-winning economist, who said that the Government's plan for the economy

"boldly goes in exactly the wrong direction"

and that it

"appears to come straight from the desk of Andrew Mellon, the US Treasury secretary who told President Hoover to fight the Great Depression by liquidating the farmers, liquidating the workers, and driving down wages."

Krugman further observes that

"the Government is using the financial crisis of 2008 as cover for advancing an ideological programme for downsizing the welfare state and that its plan has been sold to the public with an unprecedented and unwarranted degree of fear-mongering".

I absolutely agree with that. He might not be to the taste of Government Members, but a Conservative Member of the upper House, Lord Skidelsky, says that the Chancellor of the Exchequer's fiscal contraction will lead to a fall in growth. I will leave that with them.

There are historical precedents. In the 1920s, we had the Geddes axe, a massive programme of cuts that saw the economy shrink in 1920-21 and slow growth throughout the 1920s. Government debt actually increased during that time from 135% of GDP in 1919 to 180% of GDP in 1923. By 1929, Government debt was still higher than in 1919, immediately after the first world war.

Subsequently in 1931, we had the Snowden cuts, a shameful period when our former Labour leaders brought about a split in the party. I am pleased to say that today's Labour party grew out of the opposition to those cuts. The national Government—a coalition Government that was essentially Tory—took us off the gold standard. Snowden said afterwards said that no one told us we could do that. They recovered only by devaluing, which has happened time and again. Even then, there was relatively feeble growth through the 1930s. Not until the massive expansion in public expenditure during the war did the economy begin to recover. After 1945, there was a period of full employment for at least 25 years—unemployment was half a million or less—and Government debt fell from about 250% of GDP to 50% of GDP. That was a period of high Government spending, and it saw the development of the welfare state and the national health service, among other things.

I commend the hon. Member for Brighton, Pavilion (Caroline Lucas), who is no longer in the Chamber, for what she said about growth. There are enormous areas in which we could invest additional spending now to reduce unemployment and, in effect, the deficit. I suggest that we have an enormous programme of green growth and targeted investment in construction. We could build energy-efficient buildings, insulate every building in the land, and put local energy generation into every site. We could have heavy investment in infrastructure, especially railways and rail freight, and in areas that are labour intensive. Of course, one of the most labour-intensive areas is the public services, which the Government propose to cut. I suggest that we should invest more in the public services and soak up unemployment, which would have beneficial effects in every way, including bringing down the deficit. The environment needs enormous amounts of investment to improve it, and we could also invest in energy—solar, geothermal, wind, wave and tidal.

Andrew Bridgen: Where would the money come from? Which bit of "There's no money left" is the hon. Gentleman failing to understand?

Kelvin Hopkins: Indeed, in the short term, we would borrow it. Another factor that the Government constantly ignore is the tax gap of £120 billion a year in tax that is not collected. It is evaded, avoided or simply not collected. If we collected a fraction of that £120 billion, we would have plenty to spend.

In the short term, we should spend more and invest in labour-intensive areas to bring down unemployment, which would bring down the deficit and make life better for everybody. If we want growth, we have to spend more in the short term, not less, and that money can come initially from closing the tax gap. If we have to raise taxes on the better off, so be it, but we have to spend more, not less. The suggestion that Labour spent more than other countries is nonsense. For example, 10 years ago, public spending in Scandinavian countries was more than 50%, or 10% to 15% of GDP more than ours. We were not over-spenders. Indeed, I argued for a long time that we should follow the Scandinavians' example. I was somewhat critical of the Labour Government in that respect, although they did infinitely better than this Government will do. I really fear for the future of this country, if the Government press ahead with this cuts programme. We face a period of mass unemployment and deflation, which is much harder to eradicate than inflation. Deflation—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

4.21 pm

Chris White (Warwick and Leamington) (Con): I wish to approach this debate from a slightly different angle. According to the National Council for Voluntary Organisation's "Almanac 2010", the UK is home to around 900,000 civil society organisations with a total income of £157 billion, accounting for around 10% of our GDP and holding £244 billion worth of assets. More than 1.5 million people are employed by civil society organisations. So when we are talking about growth and plans for growth, we need to ensure that we include civil society within that and do not merely focus on the traditional divisions of private sector and public sector.

Whether we wish to recognise it or not, civil society has an important role to play in the growth of our economy. First, these organisations are at the forefront of the reskilling and upskilling of our economy. Organisations such as the Smallpiece Trust in my constituency are in the vanguard of providing courses and raising the profile of science, technology, engineering and maths. It is the Smallpiece Trust, and entities like it, that will help to provide the skills base that our country will need if we are to see a boom in the green economy, manufacturing and other sectors that will generate the growth and create the jobs that we need for the future. We all know that we face a skills challenge in the years ahead, and if we are to meet that challenge, we really need to galvanise voluntary organisations, educational charities and social enterprises.

Secondly, the UK is a very service-hungry nation and, although we are facing a difficult economic time ahead, that is unlikely to change. The public sector already spends nearly £200 billion a year on procuring services and demand is likely to rise. As a recent report by the think-tank ResPublica stated, there is a growing "customisation culture" where people want individualised services specifically created to meet their needs. Given this and given the advantages that civil society has in delivering the services that people need in a way that is individualised and customised with high quality, there is great potential for growth in this sector if the Government are willing to engage with civil society and look to the voluntary, third and social enterprise models to provide, rather than just continuing with the traditional monolithic state model of the past.

Moreover, civil socicty organisations use the service contracts and income they receive from private and public sources as a base for other activities. In doing so, they reduce the demand for services from the state, saving the country countless billions of pounds every year. If we engage civil society more in helping to provide the services that people want, we can free up funding, which can be used to stimulate other areas of our economy, while—more importantly—meeting people's expectations. This is something I hope to put forward in my private Member's Bill, which hon. Members might like to join me for next Friday.

Thirdly, we should recognise the potential for exporting civil society around the world. Countless UK civil society organisations are truly worldclass. These bodies not only provide help across the world to those who need it, but bring in highly skilled jobs and income. As the world continues to develop rapidly in the decades ahead, the work of civil society globally is likely to increase, and countries across the world will be looking towards countries such as ours to make progress. They are likely to want to work with our civil society, and will want to learn the skills and access the institutional knowledge stored in our organisations. The UK has a clear comparative advantage in that area, and we should not be ashamed to make the most of that.

There is no good reason why the skills and capacity generated by UK civil society cannot be exported across the world, and why organisations from this country cannot gain access to funding and generate employment at home while helping others. We have an excellent opportunity not only to help to produce a better global future, but to generate employment at home in a way that is also socially rewarding.

4.26 pm

Austin Mitchell (Great Grimsby) (Lab): I warmly welcome this important debate—the first of its kind I can remember in my long years of service in Parliament—because it is a vital issue. Unfortunately, however, we have to compress our wit and wisdom into five minutes, and to do that I will concentrate on four basic points crucial to growth. The first is that the Government seem to see the public and private sectors as competing—if we cut back the public sector, the private sector with flourish and grow, or, as one Conservative Member put it, will be unleashed. That is just not true. The two are complementary. If we cut back the public sector in the way that is now being done, we will damage growth, jobs and demand for the products of British business. The two must march together in a complementary process.

Secondly, growth depends on a competitive exchange rate of a kind we have never had in this country. A competitive exchange rate reduces the price of our exports, increases the price of imports in this market

and cuts our cost level in foreign currency terms, which we have to do because our cost levels have been too high. Every growing and developing country has started out with a low exchange rate and built a powerful exporting base from that. We have never done that, because of fear of inflation and the power of the City, which likes a high and stable exchange rate to serve its own interests. We now have the opportunity presented by the 25% devaluation. We have to seize that and keep the exchange rate down, so as to benefit manufacturing industry and encourage exports. Otherwise, manufacturing industry has to cut costs, and throw overboard research, design, development, the labour force and everything that makes for improvement, just to survive. A competitive exchange rate is vital.

Thirdly, we need an industrial policy. The Government do not seem likely to evolve one, but it is essential, to decide priorities, to help channel investment and to remove bottlenecks, whether in transport, ports or, indeed, in planning. It sometimes seems that in planning arrangements on the south bank of the Humber, the birds are more important than jobs. We need a national development strategy, because the market and banks are not capable of doing the job.

Fourthly, we need to shift the balance from the City and finance to industry, production and investment in our industrial base. We should look at the contrast between Britain and Germany. Germany has continuously improved and invested in its powerful manufacturing sector. It has maintained and defended a powerful Mittelstand, which has vanished in this country, which means that we cannot compete. The result is that Germany can now export powerfully, whereas our position is different.

What has been important to British companies is shareholder value. There has been an obsession with shareholder value and creative accounting, where the auditors are in collusion with the executives, and an obsession with executive rewards, which have been helped by creative accounting and bonuses for irresponsible gambling. The City makes a better living from fees for takeovers and dismembering British industry than it does from supporting it. Indeed, the City has never supported British industry and investment in this country on the scale that has been necessary. We have been badly let down in this country by our banks and by the City, and by their investment strategies. They have failed the country.

Government management of the economy and giving some definition to our industrial policy is crucial in all this. We shall not get the growth that we need if their policy is simply to cut, cut, cut and to wait for growth to spring fully armed from the head of a Chancellor who has no higher wisdom than to cut.

4.31 pm

Jane Ellison (Battersea) (Con): I would like to touch on a couple of specific points and, if there is time, to make a more general point.

I very much welcome the Prime Minister's recent announcement about entrepreneur visas, when he spoke about laying out the red carpet for business people who come here to create wealth and jobs. Had that approach been in operation in recent years, it might have helped two constituents of mine. They are New Zealand nationals who run a multi-million pound technology business, which is now based in the UK. They came to this country following a meeting with Lord Digby Jones in 2008, when he visited New Zealand as part of a Government trade delegation seeking to attract investors and businesses to the UK. Following that meeting, they decided to relocate to the UK, and subsequently applied for leave to remain in May 2010, having set up their board in this country and secured more than £1 million of orders.

The UK Border Agency has yet to consider my constituents' applications, and it is over six months since they were first submitted. My constituents run a company that creates products sold internationally, and they are often required to go overseas to secure further orders for their company, and, by extension, for the UK. Clearly they cannot do so while their passports are held for indefinite periods by the UKBA, and are available only for identification purposes, not for travel. If those business women want to use their passports, they go to the back of the queue. My constituents have told me that they are already considering relocating their business to Singapore or Hong Kong, as there are fewer barriers to setting up and relocating businesses there. However, they do not want to do that; they want to be based here in the UK. It would be a great loss to our economy if they relocated, and their case is indicative of a wider problem. I hope that Business Ministers can address the matter urgently with Home Office colleagues.

Tax increment financing schemes allow local authorities to fund major regeneration projects by borrowing against the future increase in local business rate income. We have talked a lot about the conflict between public and private regeneration, but TIFs bring the two together, allowing borrowing against the income of companies set up in the regenerated areas. TIFs have been successful in the US, and there have been some pilots in this country. TIFs are of particular interest to my constituency and people across London, and probably to people across the country, as it is hoped that they will help to fund the extension of the Northern line into the Nine Elms area, close to this place, and put Battersea power station on the underground map.

Members on both sides of the House may be interested to know that a detailed regeneration plan for that iconic building is finally going to the local planning authority this evening, with a recommendation for approval. If the plan gets the go-ahead, the funding for the tube extension, via a TIF, will be vital for securing thousands of new jobs and homes. I welcome the consultation outlined in October's local growth paper, but I am given to understand that Business Ministers envisage TIFs being available only from 2013. I realise that they will require legislation, but I hope—this is also a plea—that Ministers can accelerate that timetable, to make possible their introduction much earlier.

I want to make a more general and perhaps slightly unfashionable point. It is time to stop talking down the financial services sector. We know about the huge problems in banking, which have been well covered in the debate, and many of the criticisms were correct. Nevertheless, financial services is a world-leading British industry. It is essential to economic growth, and a major export success for the UK.

[Jane Ellison]

The UK has global leadership in the provision of a number of financial services. For example, the UK insurance industry is the largest in Europe, and London is the world's largest international insurance market.

Andrew Bridgen: Does my hon. Friend agree that so-called banker-bashing is extremely unhelpful?

Jane Ellison: It is unhelpful. The banking sector's mistakes and the problems with lending are well documented. They have been covered, rightly, in this debate, but they should not obscure the wider interest that we all have in a thriving financial services industry. More than 1 million people are employed in that industry, two thirds of whom are outside London.

Alison McGovern: Will the hon. Lady acknowledge that our leading role in the financial services industry was one reason why the global crash in that very industry meant that Britain was exposed to that crash in ways that some other countries were not, and that it affected us more for that reason?

Jane Ellison: I am happy to take the hon. Lady's point, and I have acknowledged it. I am trying to get across the point that we must see the wider picture. In most large banks and large City insurance and law firms, 40% of the staff are not professional; they are support staff. The wealth generated by those businesses supports many other businesses. It is essential to put some balance back into the debate.

I am a London MP, but I hail from north of Watford. I am not a banker, and never have been; I was a retailer for 23 years before coming to the House. Nevertheless, on behalf of the shopkeepers, restaurateurs, support staff, myriad small businesses, and the many thousands of people who work in the financial services industries at levels far below the super-rich, I call on all hon. Members to bear it in mind that a thriving City is good for the UK and for a great many people beyond those we hear about in the headlines. Let us not allow our frustration about bonuses and bank lending to blind us to that fact.

4.37 pm

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): I welcome this debate. The Office for Budget Responsibility's projections make it clear that if the private sector is to mop up the unemployment that will be created as a result of the Government's policies in the public sector, we must have a rate of exports that has been matched in only one of the past 40 years, and similarly for private investment. That will have to happen year on year. That is a huge ask, and we must look at the world context to see whether it will help.

The economy in Europe is slowing down, and the G20 conference will consider the problems that are impacting on and threatening world trade. The international context is difficult, and added to that are, domestically, the VAT increase, depressed public demand and public expenditure cuts. The prospects are grim indeed. The Government have rightly highlighted the role of small and medium-sized enterprises in growing us out of recession. Indeed, around 65% of all new jobs are created by SMEs. But how will they do that in the context of the Government's macro-economic policies, and without any coherent industrial strategy to deal with the consequences?

The strategy is predicated on the mythical assumption that somehow public sector investment was squeezing out private sector investment. That is not so. In areas of the country where traditional industries have declined, the public sector has generated private sector investment, and removing public sector investment will impact on private sector investment. I refer hon. Members to R3, the insolvency practitioners, which carried out its own survey. It pointed out that the loss of public sector contracts could result in 148,000 SMEs going to the wall. That might be a big exaggeration, but even if its projection is only half right, that would still be three times as many as went to the wall last year. That hardly suggests that the Government's policies are going to enable us to grow out of recession.

The area that is particularly affected is the construction industry. It is highly dependent on public sector contracts in some parts of the country, and I am very worried about the withdrawal of public investment in that sector. May I make a request to the Minister? I would like him to look at the report produced by the predecessor to the Business, Innovation and Skills Committee under the chairmanship of the hon. Member for Mid Worcestershire (Peter Luff), which pointed out that a large number of insolvencies among SMEs in the construction industry could be avoided by using public procurement to promote project bank accounts to prevent cash-flow problems.

On manufacturing in general, I cannot understand the logic of a Government policy that reduces corporation tax, which will benefit the financial services industry, at the same time as introducing a tax to take money out of it, and paying for that by slashing the investment allowances to manufacturing industries that are a proven way of improving productivity, output and export performance. That has no coherence or logic whatever.

The Minister has commented, in a leaked letter, on the sub-regional reorganisation involving the replacement of regional development agencies with local enterprise partnerships, saying that RDAs were not delivering for small and medium-sized enterprises. I know a number of businesses in my constituency that have postponed investment decisions because they see the grants disappearing. They know that the regional growth fund represented only a third of the backing that they had in the past, and that it has a £1 million threshold. That is not going to help many SMEs. I could go on, but my central point is that there is no—

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. There are 16 speakers trying to catch my eye, so I am going to reduce the time limit on speeches to four minutes. Can we please try to keep it very tight? Fewer interventions might help everyone to get in.

4.42 pm

George Freeman (Mid Norfolk) (Con): As a shareholder in UK plc, I am delighted that at this year's emergency general meeting, the shareholders threw out the last management team and voted in a new one. They face a chronic challenge, and a chronic crisis in our finances. We have the largest deficit in the G20, with a £155 billion

deficit this year and a total debt of £700 billion. Debt interest would have risen to £76 billion a year if the situation had not been tackled as robustly as it has.

We have come out of a decade of profligacy under the former management team. Its chief executive officer was too often away on overseas adventures; its finance director went on a spending spree with the company's credit card, chasing support for his ultimate takeover bid in all too obvious a fashion; and its board members were too busy rubbing shoulders with the rich and famous to do their jobs. This led to a series of profit warnings, and ultimately to the collapse of market confidence. That is why we need a growth strategy, and why a reduction in public spending must be intrinsic to it. If we had not tackled the situation, interest rates would have risen and we would have triggered a true double dip with a crisis in our housing market.

I support the coalition's programme for cutting the deficit and restoring this country's culture of enterprise. I support the regional national insurance exemptions, the lower tax for small businesses, the regional growth fund, the green investment bank and the protection outlined in the comprehensive spending review for infrastructure, especially for the A11 in my area. I also support the ring-fencing of spending on science and research. Those are the policies of a Government committed to innovation and new business growth, and, as someone who has worked in new business venture capital for 14 years, I know how widely supported they are.

I believe, however, that as we seek to unlock a new age of enterprise, we might need to go further in exploring ways of unlocking new growth without increasing public spending. As with a business in a cash crisis, we need to shore up the profit and loss account by reducing waste, as the Government have so quickly done. Equally, as with real business growth, we need to look creatively at our balance sheet and think about our assets and our competitive advantage. Everyone in government, in every Department at every level, should be asking themselves, "What can we sell to the rest of the world, in order to repair our damaged public finances?"

In the few second that I have left, I want to summarise two or three matters that may be worth considering. The first is infrastructure. We should ask Network Rail what its plans are for the massive land estate on which its tracks are sitting. I agree with what others have said about tax increment financing and ways in which to unlock private sector funding of infrastructure. The second is public services. Let us have a bold programme to empower our best public servants, who are often entrepreneurial in delivering services, and to liberate them from the confines of the public sector. The third is the national health service. I know from my own experience that we are sitting on billions of pounds-worth of patient data. Let us think about how we can unlock the value of those data around the world. We also need to look at new sectors of growth, such as agriculture. Why do we not look around the world and think about collaborating with countries with rising populations, such as India, where there is a long history of scientific research and food science and a prosperous and productive agricultural sector? Those are things that we could be doing to unlock growth without spending new money.

Businesses throughout time have shown us inspiring examples of turnaround. I think particularly of what Tesco has achieved in my lifetime: a turnaround from being a moribund monolith to being one of our best businesses. Now it is time for the Government to do the same.

4.46 pm

Stella Creasy (Walthamstow) (Lab/Co-op): It is with some trepidation that Labour Members listen to the economic forecasters who speak of their uncertainty about the future of our economy. That is because for us growth has always been a priority. We know that it is both the foundation of economic prosperity and the motor for social change. For us, growth should be a central objective of Government, because without that determination, aspiration—as we see with the present Government—is just that, rather than achievement.

Economic growth depends on both supply and demand: supply of goods and services that people want to buy, and demand for those products. At times of economic upturn as well as downturn, Government, alongside the private sector, can be a key player in ensuring the flow of demand. It was no accident that the last Government decided to invest in capital projects to help to keep the economy moving in the midst of the global recession. It was not a case of money down the drain or a short-term fix; that investment provided real schools, real roads, real hospitals and real services to serve generations of people to come. It was a savvy outlay, as we saw in the earlier part of the year, because the growth that it brought back to our economy is helping to reduce the cost of the investment.

We know that the present Government take a very different view. Just as we are tipping back into a growing economy they wish to pull the plug, taking investment out and looking to the private sector to keep the bath filling up. That may make sense in monetarist theory books, but history has shown us that pulling investment out of an economy in the fragile stages of recovery is damaging to that recovery, especially in an economy in which the public and private sectors are so intertwined. Anyone who doubts that the public sector can generate private sector investment should go to Newport and see what the Office for National Statistics has done for the area, or go to Salford and see what the BBC has done there.

It is hard for economies to grow when businesses see contracts abandoned, workers see redundancy looming, and families see spending as dangerous. Rather than freeing the private sector to blossom, that approach to growth could cause both sectors to shrivel.

The legal judgment against the Secretary of State for Communities and Local Government is not a simple matter of procedure. Construction companies in the private sector are losing building contracts, which is affecting their balance sheets, their businesses and their ability to borrow. Will a construction company be able to go to its financiers and honestly say that it believes that Government contracts are a safe investment? It also makes little sense for those who seek to use the private sector to encourage growth to cut investment in the infrastructure that it needs in order to thrive. This is not just about new schools or university places; it is also about investment in becoming the world leader in new jobs and new economies such as our creative industries or the green industries. It is also about the human investment that an economy needs in order to grow.

[Stella Creasy]

The work of Professor Paul Gregg of the university of Bristol shows that unemployment at an early age is not just a waste of resource in our economy, but permanently scars the life chances of people who, in later life, experience much lower wages as a result of that early setback. The last Government understood that very well. They understood that the cost of unemployment was not only the spiralling price of the dole queue, but the long-term waste of potential. That is why they established the future jobs fund. The decision to cancel the fund—along with the falling opportunities for young people in universities, the lack of support enabling young people to benefit from training and education, and the cuts in education maintenance allowance—represents more than a passing shortage of funds. It increases the prospect that we shall have a generation of young people who find themselves less experienced, less skilled, and therefore less attractive to potential employers, sandwiched between their younger and older peers. Even if the economy picks up they will always be damaged goods, destined to earn less and do less as a result.

Let me be clear. The country needs a strategy for economic growth that sees public investment as just one tool for fiscal stimulus. There is no doubt that getting the tempo of spending right is the most difficult challenge that we face. If we spend too much, inflation will rocket; if we spend too little, our economy will shrink into recession. We Labour Members also know this, however: take away the support that our economy has had—to proven effect—too quickly and both the public and private sectors will fail. We can pay down the public debt and achieve fiscal consolidation through cutting spending, raising taxes and, above all, concentrating on growth. Each of those must take the strain, but without growth, cutting spending becomes its own driver of deficit.

4.50 pm

Richard Fuller (Bedford) (Con): I am fortunate enough to have studied at a business school to get an MBA. I do not know whether that qualifies or disqualifies me from—*[Interruption.]* I thank hon. Members for that comment, but I will nevertheless persevere, because I shall be relying not on what I learned at business school but on advice from my barber—the man who cuts my hair. I may not be—*[Interruption.]* Thank you very much. I may not be a good advert for his skills, but Sugaz on Lime street in Bedford is an excellent establishment.

My barber mentions a couple of things to me every time I go for a haircut. The first is the importance of getting people off benefits and into work, and I know he will be absolutely delighted at the statement earlier today by the Secretary of State for Work and Pensions. The second thing my barber tells me about—he often waves bits of paper in front of me to make this point—is the terrible impact regulation has on his business. I must say to the Minister of State, Department for Business, Innovation and Skills, my hon. Friend the Member for Hertford and Stortford (Mr Prisk), that the small businesses that I talk to are delighted that he is in his post and they are pleased with many of the initiatives he has already taken, but he needs to do more on the issue of regulation. He needs to acquire the reputation of being the Minister who will not rest until he has got the regulatory burden off our small businesses.

I want to make a few suggestions to my hon. Friend the Minister. The first follows on from points made by other Members. The hon. Member for Brighton, Pavilion (Caroline Lucas) said that there is now a wider understanding of well-being and what it means for growth, and my hon. Friend the Member for Warwick and Leamington (Chris White) pointed out that entrepreneurs are driven by various different motivations, not just profit making. When the Minister thinks about how we understand growth, he should be dextrous on the issue of motivation.

The Minister should be dextrous about something else, too. I want this Government to take away the fear of failure from people who start businesses. If we can accomplish that, we will achieve growth. I also urge the Minister not to listen too much to Opposition Members' comments on how to achieve growth. In my town of Bedford, the average wage in 2002 was £24,899, but in 2009 it had fallen by £1,458 to £23,431, and unemployment is 28% above the national average. I therefore suggest that the Minister keeps his own counsel, and that he should not listen to the counsel of Opposition Members.

Thirdly, I ask the Minister to cut taxes on business. That is not only a priority; it is a necessity if we are to have long-term growth. Fourthly, as my hon. Friend the Member for Battersea (Jane Ellison) said, let us not hear any more bashing of financial services. They create millions of jobs and they pay billions of pounds in taxes. They are our part of the global economy, and we should be nurturing and considerably strengthening them.

May I also make two practical points? In respect of the Minister's proposals for enterprise capital funds and angel investors, I ask him to consider dispersal across the country. There are currently nine such funds, but six of them are based in London. Will he consider promoting community funds that are dispersed more widely around the country and relaxing the investment track record criteria for setting up funds? Finally, I ask the Minister to consider the ways in which ECFs will work with regional growth funds, as we must not repeat the regional issue we had with the national insurance holiday. Bedford's growth is in the south-east; we need this benefit from the regional growth fund. Please make sure we get it.

4.53 pm

Lisa Nandy (Wigan) (Lab): I begin by congratulating the Backbench Business Committee on securing this debate. Unemployment in my Wigan constituency currently stands at just short of 7%, and the human cost of that is evident in my surgeries every week. The families and individuals in Wigan who are suffering from the effects of high unemployment are also suffering deeply from the savage and unnecessary public spending and welfare cuts that have been visited upon them by this Government, and they are at a loss to understand why this is happening to them while at the same time the average pay of the FTSE 100 top chief executives rose by 55% last year.

The fact that that is happening is an insult to those people in Wigan; it is also economic madness. I am not a big fan of the over-simplified household economics

practised by the Deputy Prime Minister, but it does not take a genius to work out that a family earning £10,000, £15,000 or £20,000 a year will put every pound that they earn back into the local economy—into businesses and services—whereas a banker earning millions in bonuses will not do the same. As my right hon. Friend the Member for Kingston upon Hull West and Hessle (Alan Johnson) said, it is bankers, not families, who should be paying for this economic crisis.

I wish to dwell briefly on the situation of my constituency, as a former coalfield area. My hon. Friend the Member for Barnsley East (Michael Dugher) talked about this subject compellingly and convincingly, so I shall simply say that the Coalfields Regeneration Trust and the regeneration programme was not just another well-thought-out initiative; it was a covenant between the Government and a series of communities who had suffered deep injustice at the hands of their own Government—injustice that is only now beginning to be put right. I urge the Minister, in his response to the report by the former Member for Barnsley, West and Penistone, which we expect shortly, to take that very seriously and to protect that investment, which is so badly needed.

I also wish to echo some comments made by many of my hon. Friends. In Wigan one third of people are, rightly, employed by the public sector, doing very important work, but most people work in small and medium-sized businesses. Those businesses rely deeply on public sector contracts and services; the two are interdependent, and if we damage one, we damage the other.

I wish to say a few words about the construction industry. When the Building Schools for the Future programme was axed, the children of Wigan did not just lose a badly needed new school; I heard compellingly from Union of Construction, Allied Trades and Technicians members what it meant for them in terms of the cost to jobs. It is exactly at times like this that we should be investing in those projects, not cutting them. I urge Ministers to think again, not only about that but about the regional development agencies; our RDA was the economic engine of the north-west. When the banks stopped lending, it was the RDAs that stepped in and supported small businesses. Small businesses in my constituency are going to the wall because of the Government's decision to axe the RDAs and freeze their spending, and I urge the Minister to think again.

I read with interest the comments of Adam Posen, a member of the Bank of England's Monetary Policy Committee, who said that rather than privatise the state-owned banks, we should use our stake in them to increase productive lending. I hope that the Government will consider that idea.

I end by stating that it is my strong contention that this Government have got it wrong—and that contention is not mine alone. As Joseph Stiglitz has said:

> "Britain is embarking on a highly risky experiment…If Britain were wealthier, or if the prospects of success were greater, it might be a risk worth taking. But it is a gamble with almost no potential upside. Austerity is a gamble which Britain can ill afford."

4.57 pm

Neil Carmichael (Stroud) (Con): In the spirit of general agreement with some of the other speakers, I wish to say, first, that the hon. Member for Brighton, Pavilion (Caroline Lucas) was right to point out that there are more important things than just thinking about profit and so forth. We do think about the quality of life, and that is really important. I thank my right hon. Friend the Member for Workington—

Mr Redwood: Wokingham. Workington would be quite a win.

Neil Carmichael: All right, calm down. I thank my right hon. Friend for securing this excellent debate, because he is right about quantitative easing. Three hours ago he rightly reminded us that that could stimulate inflation. It is a form of inverted monetarism, and we should be mindful of that. He is also right about funding for smaller businesses. Crucially, as my hon. Friend the Member for Stourbridge (Margot James) said, we have to think about more than just overdrafts; it is a question of putting equity into smaller businesses as well. We need to construct a taxation regime that allows that to happen, and the Departments should be working really hard on that.

I have three or four points to canter through briefly. First, Airbus is a very important business in my region, and has a huge number of supply companies in my constituency. It is also important because it is an international firm, so I want to make it clear right now that we must ensure that international trade is free trade. I am referring to the cloud over the aviation industry in general: what Boeing thinks of Airbus, and what Airbus thinks of Boeing. I think Airbus is right, and we need to promote that.

The other day, somebody was telling me that they thought that France was merciless in its pursuit of commercial advantage. It probably is, and so should we be. It is high time we understood that, stopped complaining about other countries and got on with it ourselves. Let me take a case in point: Poland, a country that has not stopped growing for the past 15 years. Right now it is growing at about 2.5%—although I might be out of date, because I thought of this three hours ago. It is a country that is worth investing in, but where are we when it comes to investing in Poland? Fifth. France, Italy, Germany and America are all above us. We ought to be getting there, and getting going in that field.

My next point concerns the provision of security for investment, in the sense that public policy matters. The green investment bank is a good thing, so too is the green deal, and so is our focus on ensuring that we get high-technology investment in these sectors. The sort of security that we can provide by effective public policy will encourage growth in due course. This country must have that, to solve our problems.

Finally, we all talk about regulation. It is absolutely right to say that there is far too much of it, but I think that it is time we focused on exactly what it is that we should start deregulating. We must set small businesses free, and they need to get the sense that their contribution to this country's future and their own is something that we want to see. It is a question of growth, and we must supply that growth. That is imperative for our long-term planning and our attitude and strategy for the deficit. Let us pave the way for it with the four recommendations that I have made.

5.1 pm

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): Like others, I congratulate the right hon. Member for Wokingham (Mr Redwood) on securing the debate. Like my hon. Friend the Member for Edinburgh South (Ian Murray), I enjoy listening to the right hon. Gentleman's contributions and—I have to admit—occasionally reading them on his website. I do not often agree with him, but they are enlightening none the less.

What has been good about today's debate is that, with a couple of exceptions, speeches have been made and issues have been raised that do not necessarily follow the scripts that people get from time to time. People have discussed some real and serious matters and there has been agreement across the Chamber on a number of issues. In particular, I was struck by the speech of the hon. Member for Northampton South (Mr Binley), who I know has a strong interest in manufacturing. In the couple of minutes I have available, I want to make a few points about manufacturing and that part of industry.

The Government frequently talk about rebalancing the economy and they are right to do so. It is crucial that we learn some of the lessons of the past. One of the lessons, frankly, despite the amount of wealth that the financial services sector might create, is that being over-exposed in one sector causes immense damage. We need to rebalance the economy and we need to do that by looking for export markets. That is why I am quite pleased that the Government have taken the initiative in going to India and China to develop those markets. I hope that they will go to other places, too.

Crucially, we are not the only country trying to do that. Every developed economy is looking to the developing economies and BRIC economies—those of Brazil, Russia, India and China—to develop export markets. We need investment in the technology to get the products that people want and to develop the skills that we need and the technology that people want to buy. That is crucial and brings us to the points made in this debate about levels of investment in particular.

Anyone who was in the Chamber during Energy and Climate Change questions earlier will have heard Ministers waxing lyrical about the huge potential of the green economy. That potential can be realised only with the right investment, including from banks. The green investment bank should be up and running as quickly as possible and should be running as a bank, not as some grant-giving body. I hope that the relevant bits of the Government—whether that is the Treasury, the Department of Energy and Climate Change or the Department for Business, Innovation and Skills—get on with that as quickly as possibly because it is crucial. It is particularly crucial in constituencies such as mine, which has had a proud manufacturing past and deserves to have a future. Economic growth and our growth in manufacturing cannot be driven towards just one part of the country. As others have said, it needs to take place across the whole country and that is why it is very important that we get the green investment bank up and running.

Ian Murray: I know we are tight for time, but this is a crucial point. Is it not strange that no Members from the Scottish National party have been in the Chamber for the entirety of this wonderful debate on growth and how the UK economy should grow?

Tom Greatrex: I thank my hon. Friend for his intervention. Given the amount of time left, I shall say only that I am disappointed but not surprised by that.

Other Members have referred to the recent PricewaterhouseCoopers report. I am sure that the Minister has read it a number of times, but I draw his attention to a specific part of it, which calls on the Government to tackle the "financing gaps" by focusing investment

"in areas where it will have a catalytic role in growth."

As my right hon. Friend the Member for Wolverhampton South East (Mr McFadden) has said, there is a place for the Government, as well as banks and other sources of investment, in getting that investment right, developing industries and getting the skills and jobs that will save the public purse money in terms of benefits and other payments, so that communities and constituencies across the UK have a stake in the future of the economy. We should not be tied to any particular sector; we should be looking across the whole country and getting people into skilled jobs and into export markets that will benefit us all in the long run.

5.6 pm

Mel Stride (Central Devon) (Con): I welcome the opportunity to speak in this debate about growth. As my hon. Friend the Member for Mid Norfolk (George Freeman) pointed out, if the Government had not taken such prompt action on the deficit, kept our triple A credit rating status and ensured that our interest rates remained low so that our businesses could expand and consumer expenditure could be protected, there would be little point in talking about any form of growth.

I want to speak briefly about our fiscal consolidation. I am pleased that the Government have struck a balance between expenditure reductions and tax increases, with a weighting more towards the former. As my hon. Friend the Member for Bedford (Richard Fuller), who is sporting a splendid haircut, has pointed out, the importance of getting taxation on business down is absolutely key. I welcome the fact that tax will fall from 28% to 24% for larger corporates and to 20% for small businesses. That is important not only for growing our companies here but for attracting inward investment. In the Republic of Ireland, for example, the headline rate is just 12.5% and it has secured inward investment of about 2.5 times the EU average given the size of its economy.

The hon. Member for Copeland (Mr Reed) suggested that we on the Government Benches are anti-public sector. We are not, but we do recognise that productivity rates in the private sector are considerably greater than in the public sector. As the public sector slims down and the private sector expands, we can expect growth to come through that route.

Monetary policy and the dangers of quantitative easing formed a major part of the speech of my right hon. Friend the Member for Wokingham (Mr Redwood), and I fully subscribe to his concerns. Questions must be asked about injecting the economy in that way—by printing money, using electronic money to buy gilts, bonds and to some degree commercial paper—and the first of which is whether it works. We can look at the experience in Japan, where interest rates hit 0% in 2000-01 and a lot of quantitative easing was put into the system over the following six years. Although growth

occurred, there was consensus among many economists that it was due to the approach of recapitalising the banks and getting them lending rather than to the money that had been put in and the creation of dishonest money in the system. When quantitative easing is being considered, almost by definition the economy is slowing down and there are deflationary and recessionary pressures on it. It is at such a moment that the banks are least likely to start lending the money that is being put into the system.

We need to be very careful about where we are in the cycle with inflation when we talk about quantitative easing. In the past two years, inflation has gone above 5% and down as low as 1.1%. It is now above 3% and, according to the Bank of England, is heading further north. We need to be absolutely certain that some of the temporary effects of low sterling and the costs of energy and oil coming through are not mistaken for a considerable rise in inflation going forward in the longer term. Other issues, such as the level of capacity in the economy and the low wage rate increases of about 2% that we have had recently, are equally important.

My final point on quantitative easing is that it would not be advisable to take away the authority of the Monetary Policy Committee to make such decisions. It should be exactly as it is with interest rate policy: the MPC should have the final say. I know that I differ from my right hon. Friend the Member for Wokingham on that, but I firmly believe it.

5.10 pm

Yasmin Qureshi (Bolton South East) (Lab): I wanted to contribute to the debate initially by talking about growth policy, but we have heard Conservative Members suggest that the economic situation we are in is due entirely to the Labour party's activities, so it might be worth taking a trip down memory lane to see what it was like in 1997 when the Labour Government came to power. We had 3 million people unemployed; interest rates and inflation were at record highs; there were so many problems to be dealt with. What did we do? We invested. We invested in building more hospitals and more schools and in refurbishing our hospitals and schools. We invested in refurbishing 1.5 million substandard accommodations and homes that had been left neglected by the Tories for years and years. As a result of that investment, we created many jobs and flourishing sectors.

At the same time, we worked with the City and helped the financial sector. It is interesting to note that Conservative Members believe that we had something against bankers and those involved in the financial sector; of course we recognise that the financial sector is very important. It was the Labour Government who, when faced with various problems, invested billions to steady our financial sector so that it could grow. That prevented the loss of about 500,000 jobs. We have no need to hear Conservative Members telling us that we have done nothing to help people in the banking sector, that we are somehow their enemies or that we do not care about them.

As a result of that investment, economic growth has recently been restored. I heard the Prime Minister say from the Dispatch Box a few weeks ago that Labour Members would be unhappy to hear about economic growth in our country. Why would we be unhappy about that, particularly given that our policies underpinned that growth? If we had stuck to the Conservative or Lib Dem policy of doing nothing, we would have been in a worse situation. The truth is that we are delighted about economic growth and we take credit for regenerating the economy and saving the country from the banking crisis.

The Con-Dem Government want a massive reduction in spending. The cuts are ideologically driven and are not being made in the best interests of the country. We know not only that 500,000 people will lose their jobs in the public sector, but that 1.5 million people are likely to lose their jobs in the private sector. I urge the Government to reconsider what they are doing; they should not be driven ideologically to do so.

5.13 pm

Jeremy Lefroy (Stafford) (Con): I will confine my remarks to two areas: exports, about which the hon. Members for Rutherglen and Hamilton West (Tom Greatrex) and for Glasgow North East (Mr Bain) have already spoken; and access to finance, about which a number of hon. Members have spoken.

It is salutary to look at export performance over the past decade. Since 2000, Germany's share of world trade has risen by 17.9%, that of France and Italy has remained roughly the same, but the UK's share has fallen by 20%. That is partly due to the depreciation of the pound, but that is not the only reason. To put it bluntly, we have been falling behind our European neighbours and competitors. It is hardly a coincidence that the country that has concentrated most on its export markets—Germany—is the one currently experiencing the strongest growth.

Graham Jones (Hyndburn) (Lab): Will the hon. Gentleman give way?

Jeremy Lefroy: I am afraid that I will not, because other Members wish to speak.

A recent report by the Institute of Chartered Accountants, of which I am a member, showed that businesses that are globally engaged are more optimistic about their prospects than those that are not. Some 70% of companies, including half of all micro-businesses, are involved in business overseas, and what is of real significance, as Members have pointed out, is that much of the growth in exports has been in exports to emerging economies rather than to the developed world. Indeed, in the first four months of this year, exports to emerging economies from the UK grew at more than 30%. While attention is naturally and rightly on China and India, we should not forget the growing markets of central and south America, much of Asia and, not least, Africa. Sub-Saharan Africa is growing at 5%, and many countries look to the UK as a natural trading partner. The door is wide open, but many of our companies are simply not walking through it.

What do we need to do? First, we need to overcome a fear of excessive risk. The past two years have shown us that nowhere is risk-free, and the ratio of reward to risk in many developing countries is high. Secondly, there are concerns about payment, and we could do more through the export credit guarantee scheme. We should look at the schemes of some of our European competitors,

[Jeremy Lefroy]

which are better on short-term finance. Thirdly, on support for businesses, Britain has a real advantage in its superb embassies and high commissions throughout the world, and I welcome the Government's commitment to ensuring that they increasingly support British trade.

We should also mention the advantages that our international development programme brings. Where we work with a country to overcome its poverty, we also help to create the conditions in which business—British business—can flourish. In Kenya, for instance, UK overseas development assistance in 2008 was £77 million, but our exports there were almost £200 million in goods alone. Fourthly, we need constantly to encourage people to learn the languages that make doing business with Britain throughout the globe easier, and we need to restore our pre-eminence in export finance. British banks once financed much of global trade, and I should like a new breed of enterprising British merchant banks to spring up and do that.

That brings me, briefly, to the second driver of growth: finance. There has been a lot of argument about how much banks are lending to businesses, especially small and medium-sized enterprises. I welcome the expansion of the export finance guarantee scheme, but it would be even more helpful if some of the £45 billion of unused capacity in existing bank facilities, which even one bank says it has, could be loaned to viable businesses. Businesses are crying out for it.

I welcome, too, the Government's recognition of the importance of equity investment, with the expansion of the enterprise capital fund. Better still, they are exploring options to relax EU regulations on promoting the activity of business angels, but again I look to banks to show their true mettle and innate generosity of spirit. The British Bankers Association has announced a £1.5 billion business growth equity fund, but I urge the association to go much further, as we need it.

5.17 pm

Owen Smith (Pontypridd) (Lab): I, too, thank the right hon. Member for Wokingham (Mr Redwood) for securing today's debate. I always admire the ingenuity with which he manages to weave into most of his speeches his perennial faith in the fallacy of the Laffer curve and his plea that we go easy on the banks. Today, he did so in respect of the capital holding legislation that is meant to protect us from the next recession that the banks might cause, as they caused the last one.

I should like, however, to make a plea for more evidence than Laffer uses in order to support our economic policy, because we do not have one that is based on evidence. We have a hit-and-hope policy that is based on faith. We know—the Government have told us endlessly—that the deficit was too high; investor confidence was diving; we could not afford to pay back our debt; we looked very much like Greece; the only answer was to cut 8% or thereabouts of GDP, which would restore confidence and we would see heroic growth, such as we had never seen, of 2.5% per year and an enormous explosion in the private jobs market.

The trouble is that neither economic theory nor the evidence supports that argument. I cannot really address the economic theory in too much detail given the time, but history and most economists would agree that when we contract growth by about 1%, that leads to a 0.5% contraction in GDP. That is what history has shown, and that could leave us with a 4% contraction in GDP due to the 8% effective reduction in spending over the next four to five years.

Instead, I shall consider the current evidence that we have to support the Government's theory, because that is all it is—a theory. In order to have growth, we must have investor confidence, and we must, as the hon. Member for Stafford (Jeremy Lefroy) said, have an export-led recovery. Investor confidence is not present in the economy: that much is clear to us. The private sector is holding surpluses, not investing. I worked as a director of a biotech company for a long while before I came here, and I know that the biotech and pharmaceutical industries are not investing—they are laying people off, not taking them on.

Next, we need confidence that we are going to see some growth in the economy. Much has been made of the fact that we had 0.8% growth in the last quarter and 1.2% previously. As I said, the construction industry is what has driven much of that, but last week's purchasing managers index for construction managers shows that the order book is drying up; they are looking at 1% growth in the last month. The construction industry is laying people off, not taking them on.

The markets are telling the Government that they do not have confidence in the economy. The yield on five-year bonds is down at -0.44%, which differs from the 3.5% rates that we were seeing in 2008. That is the market giving its view, in pricing terms, that there will be no or low growth in the economy. Merrill Lynch said this week:

"There are worries over the health of the economy and the danger that the government's austerity measures are going too far."

HSBC said:

"The market…is sceptical about growth prospects".

That is the reality of the situation that we face right now.

The International Monetary Fund has said that the Government need to develop a plan B. Olivier Blanchard, its chief economist, has said that he fears that the way in which the contraction is being front-loaded is going to damage our economy. It is places such as Wales, and my constituency of Pontypridd, that will see the worst impact of a further recession. The Government must come up with a plan B, and quickly.

5.21 pm

James Morris (Halesowen and Rowley Regis) (Con): I welcome the debate introduced by the right hon. Member for Wokingham (Mr Redwood). It comes at a crucial time for the area that I represent in the west midlands and the wider black country. I want to speak briefly about the growth challenge in the black country and the wider west midlands.

We have inherited some deep underlying problems after a period where we have had very low levels of private sector jobs growth, where unemployment is much higher than in other regions, and where growth has been lower than the UK average. Annual growth in gross value-added between 2002 and 2007 was the lowest of all regions in the United Kingdom. Rates of innovation have been poor, and productivity has been low. Labour Members talk about the effectiveness of

the regional development agencies, but that is the reality of the economic situation that we face in the wider west midlands.

We have big, long-term challenges to address in the black country, so how do we do it? We need to promote enterprise, as many hon. Members have noted. We need to concentrate on stimulating the small and medium-sized enterprise sector. Organisations such as the Black Country chamber of commerce and the Federation of Small Businesses have been putting a great deal of effort into ensuring that we build on our SME base. We also need to build on the existing capabilities in the black country, where we still have a vibrant SME-based manufacturing industry. We also have companies involved in metal recycling, which does not sound very glamorous but is an innovative and important business in the black country.

We need to focus with laser precision on the generation of private sector jobs in the black country, and we need to drive innovation and raise skill levels. I strongly believe that a focused black country local enterprise partnership, working with those local authorities and with businesses, can deliver much more than was delivered by the one-size-fits-all regional development agency. I urge the Minister to sign off on that black country LEP if possible, once certain issues have been addressed, so that we can get on with the job of dealing with the long-term problems that we have inherited.

We need to build on the great industrial and enterprise heritage of the black country, with its long history of industrial innovation. We need to promote manufacturing, champion enterprise and develop the skill base in the black country economy, and we need to drive the private sector job growth that will be critical to the future of that economy.

5.25 pm

Joan Walley (Stoke-on-Trent North) (Lab): In the four minutes that I have, I wish to say to the House that a Backbench Business Committee-led debate of this kind shows that there is huge consensus. The debate is about what Parliament can do to impress upon Ministers the importance of addressing the growth agenda.

I have agreed with many contributors about investment in transport. We need the Government to reconsider extended trains along the west coast main line to deal with overcrowding. We also need to consider national infrastructure and be ready for the digital age, ensuring that right across the country, we have state-of-the-art technology such as the broadband that is needed to inspire growth.

In line with what the hon. Member for Brighton, Pavilion (Caroline Lucas) said about the green economy, it is vital that we link the issue of growth with sustainability. Having chaired a conference led by the Aldersgate group in the City on Tuesday night, may I tell the Minister that the importance of the green investment bank cannot be overestimated? It is vital that he and his colleagues in Government apply the principles of the green investment bank in a cross-cutting way, so that people across the UK can take part in providing the £3 trillion or so of investment that is needed. That will create jobs in energy efficiency and enable us to provide insulation in homes. Those jobs will allow us to meet our carbon reduction targets, which is vital.

I would not be me if I did not make a parochial case for Stoke-on-Trent and north Staffordshire, just like the hon. Member for Halesowen and Rowley Regis (James Morris) did for the west midlands. I say to the Minister that this debate is not taking place in isolation. It has to be followed up in a cross-cutting way, and the Government must look favourably at the local enterprise partnership bid that is currently being drawn up across Staffordshire, including in Stoke-on-Trent. We need to consider the ceramics industry, and consider the problems with intensive users of energy, about which he knows, so that we can get the advantages of the green investment bank into Stoke-on-Trent.

We need to deal with the legacy of the coalfield communities, where further investment is needed, like that at Chatterley Whitfield. We need a cross-cutting agenda, working with various organisations such as the Prince's Regeneration Trust, so that, with the voluntary sector, we can make enterprise happen. That matter needs to be addressed right across education provision, and we need extra investment in the further education college in Stoke-on-Trent.

Above all, we need a step change in sustainability. I say to the Minister that if we are to get people back into jobs and off benefits, those jobs need to be private sector-led. We urgently need Government recognition that an area such as Stoke-on-Trent, which was identified by the BBC as the third least resilient area in attempting to fight the recession, needs special attention. If the Minister cares to, he can visit my constituency as many times as he would like so that we can get that message across.

5.29 pm

Alison McGovern (Wirral South) (Lab): I never thought that I would stand in a Back-Bench debate on growth—the debate is most welcome—and quote Lord Lamont, but I am going to. Speaking of the 1992 exchange rate mechanism crisis, he said:

> "I think it is worth emphasising that the ERM crisis was an international one…I am always surprised at the extent to which people see it as a purely British crisis. In that week in September 1992, eight countries either devalued or floated."

The lesson that I take from that quote is that we forget the global picture at our peril. I have been pleased to listen to other Members reference the circumstances in which we find ourselves. We are trying to drive forward growth at a time when the world faces very difficult circumstances. We are not alone in our pursuit of growth, and we all need to heed that important point.

I want to make three extremely swift points in response to that global challenge. I can make the first very swiftly, because it has already been made this afternoon. On regional development agencies and growth policy in the regions, the Government appear to have wiped the slate clean. We have seen success with the regional development agencies, but there is a lack of understanding of the good practice that went on in them. In developing local economic partnerships, the Government might ask, in areas such as mine in the north-west, where the regional development agencies had success, what needs to be carried forward into the local economic partnerships to make sure that the RDAs' practice of development—what one business I spoke to in the Wirral called their ability "to roll their sleeves up and help us out"—is not lost.

[Alison McGovern]

My second point, which has also been mentioned, relates to the importance of rebalancing. Like other hon. Members this afternoon, when I look at the global economy I wonder how we might provide and sell things that are needed around the world. I know from my constituency that science-led business is important in that. With the investment in superfast broadband and the other things that we hope to see in the Wirral, I hope that we will continue to be champions of science-led business, just as we have been historically, with Unilever at the heart of our borough. Through our expertise, we can lead the way.

Finally, we have real opportunities for export, given our historic links with India and China. I leave the Minister with one thought. The local economic partnerships need to be able to stand on the world stage and argue for those trade relationships. We all need to think what powers those local economic partnerships need so that they can stand on the global stage and argue for investment in Britain.

5.32 pm

Sheila Gilmore (Edinburgh East) (Lab): It is always interesting to listen to such Back-Bench debates because there is a high degree of consensus, but we also sometimes hear some of the things that people really think. My colleagues and I were berated from those on the Government Front Bench for our apparent failure to do more to tackle inequality, but we then heard an interesting speech suggesting that the only reason we raised taxes was to redistribute income. Government Members perhaps have to decide what line they want to propagate.

What I really want to do, however, is to tell a story about a city. In the 1980s, it was a bit of a backwater. It was notorious for its holes in the ground in very prominent areas. It was run by a council that called itself progressive; its members were Conservatives, but they called themselves progressives—we have had that again more recently. They took a hands-off view of how to run a city and saw themselves purely as some sort of administrators.

After that, the council changed political hands and was controlled by a Labour majority administration for the first time in its history. A great deal of effort was put into building up the economy. Those holes in the ground were filled. Infrastructure was put into a whole development on the west side of the city. That allowed the financial services industry in the city of Edinburgh to flourish, and the city became an important financial centre. However, it was the council—the public sector—that put the land deals together and made it possible for places to expand and to create the private sector jobs that have been so important to our city.

The holes in the ground were filled. We built a conference centre. There was some criticism of that at the time, and people asked, "Why is the council doing that?" but the criticism since has been that we were not ambitious enough—that the conference centre was not big enough to put on the kinds of exhibitions that go with conferences nowadays.

I regret to say that in the past few years, even in advance of the change of national Government, there has been some real contraction. The arm's length company that we set up that got financial services off the ground in Edinburgh has been almost wound up. There is a reluctance to fund a transport project in Edinburgh that would make a big difference to our economy—the trams, which I was challenged to mention by my hon. Friend the Member for Edinburgh South (Ian Murray). The hon. Member for Battersea (Jane Ellison) spoke of her hope that the Government would fund a tube extension to Battersea. That is an acknowledgment that such transport spending is hugely important as an economic generator.

Contraction has already begun. School building has almost ceased, and construction workers have consequently been put out of work. It is important to recognise the role that the public sector plays in growth.

5.36 pm

Chris Williamson (Derby North) (Lab): I will be brief. I want to talk about the importance of construction to the growth agenda in this country.

I have been very disappointed by the staggering economic amnesia displayed by the Government in the past six months. Labour had a proud record in the previous 13 years. The previous Government left a good economic legacy. Record levels of employment were achieved under Labour, inflation was kept low, and we ensured that interest rates were at record lows for a considerable period of our time in government. We also prevented the recession from turning into a depression. We have Labour policies to thank for those things.

My fear is that the policies pursued by this Government are likely to result, at best, in a very low level of economic recovery and, potentially, in a double-dip recession. The Government talk of a private sector-led recovery in this country, but construction is key to that. Some 92p in every £1 spent on construction is retained; 300,000 private sector companies work in the industry, employing 3 million workers, or 8% of our work force; and every £1 spent in public sector investment achieves a return of 56p to the Exchequer and results in £2.84p worth of economic activity.

I am concerned that the Government's talk of a private sector-led recovery is just rhetoric, because their measures are undermining the construction industry in this country. My hon. Friend the Member for Pontypridd (Owen Smith) made the point that the construction industry is struggling. I spoke recently with representatives from the UK Contractors Group, who said that talk of growth in the building and construction sector was unbelievable. Their members are saying that they have poor order books and that at best there is likely to be a flat level of activity. Many will shed workers and go into decline.

One of the biggest factors, of course, is the election of this Government and their decision to scrap Building Schools for the Future. BSF was not only a fantastic educational investment, but a massive investment in construction. The construction sector has been undermined by that—the rug has been pulled from under it. That massive building programme would have sustained many construction companies.

Housing targets and the abolition of the regional spatial strategy by the Government will mean that far fewer houses will be built. Not only will people not be housed adequately, but there will be another negative

impact on our construction industry. I therefore urge the Government to think again about their strategy for construction in the UK.

5.40 pm

Chris Leslie (Nottingham East) (Lab/Co-op): There have been some excellent and increasingly succinct contributions to this welcome debate on growth. It is a fantastic initiative and a tribute to the reforms led by the Backbench Business Committee. Important aspects of economic policy have been covered. My hon. Friends the Members for Glasgow North East (Mr Bain) and for Edinburgh East (Sheila Gilmore) talked about the Scottish economy and the importance of investment in their cities. My hon. Friend the Member for Stoke-on-Trent North (Joan Walley), and the hon. Members for Redcar (Ian Swales) and for Brighton, Pavilion (Caroline Lucas), talked about environmental jobs and new eco-technologies. The hon. Member for Hove (Mike Weatherley) talked about the music industry, the hon. Member for Warrington South (David Mowat) talked about energy pricing and the hon. Member for Watford (Richard Harrington) talked about the film industry. The hon. Member for Warwick and Leamington (Chris White) talked about the role of the voluntary sector in the economy and the hon. Member for Battersea (Jane Ellison) talked about tax increment financing in an important contribution.

As my hon. Friends the Members for Wirral South (Alison McGovern) and for Derby North (Chris Williamson) both pointed out, Labour did a great deal to support our economy and, until the general election, we had seen growth return and borrowing begin to fall and we were emerging from one of the gravest worldwide economic crises in generations. Clearly action is needed now more than ever to boost growth and jobs.

The Bank of England's inflation report yesterday pointed out that nobody could predict the course of the economic environment in the years ahead, and some dangerous clouds are gathering. Yesterday's report from the National Institute of Economic and Social Research calculated that growth was slowing further in the three months to October and claimed that it was 0.5% weaker than the official third quarter figure. Today's G20 gathering in Seoul has to grip the serious imbalances facing the world economy, but, as my right hon. Friend the Member for Wolverhampton South East (Mr McFadden) said in a very powerful speech, the Prime Minister and the Chancellor seem yet again on the margins of the debate rather than in a leadership position. We should be wary, of course, of a return to protectionism, but also of a slowdown in the eurozone, and we should therefore be doing more to encourage exports, jobs and growth here at home.

The doctrinaire approach by the Chancellor threatens the return to strong economic growth. He is ignoring those who say that the Government should proceed with caution and is instead rushing full speed ahead, risking the fragile recovery with his ideological zeal for cuts in public investment, as my hon. Friend the Member for Copeland (Mr Reed) said. Even Ministers have to accept that public sector spending cuts will undermine the return to growth. My hon. Friends the Members for Barnsley East (Michael Dugher) and for Pontypridd (Owen Smith) pointed out that we know from the analysis by the Office for Budget Responsibility that the Government's budget and spending review shows that the choices they are making will cut our growth prospects rather than enhance them. Growth is essential to rebuilding our fiscal position and if we are to fund vital improvements in public services—as my hon. Friend the Member for Ealing, Southall (Mr Sharma) pointed out, with particular reference to infrastructure, and as did my hon. Friend the Member for Bolton South East (Yasmin Qureshi)—with no strategy for growth, the Chancellor has no viable strategy for investment in schools, hospitals or our future prosperity as a nation.

The spending review will hit the economy hard just at the wrong time, and the Government admit, as my hon. Friend the Member for Luton North (Kelvin Hopkins) pointed out, that they intend to slash half a million jobs in the public sector. We know that PricewaterhouseCoopers has predicted that the same number of jobs will also be lost in the private sector. The hon. Member for North West Leicestershire (Andrew Bridgen) talked about the mood music playing, and we can see that consumer spending is already shaken and confidence is being battered by the tune played by the Chancellor. My hon. Friend the Member for Edinburgh South (Ian Murray) mentioned that other factors will affect that confidence, including the impact of the VAT rise on businesses and consumers.

We have to boost employment, not pull the rug from beneath our own economic prospects. As my hon. Friend the Member for Walthamstow (Stella Creasy) pointed out, the abandonment of the future jobs fund was a major mistake. As my hon. Friend the Member for Rutherglen and Hamilton West (Tom Greatrex) said, every 100,000 people out of work costs the taxpayer £0.5 billion in benefit payments alone.

We heard today from the Department for Work and Pensions that it is winding down all its current welfare-to-work projects ahead of its new scheme, which will not be ready until next summer at the earliest, yet new referrals to the current programme are to be halted from December in half of the country and stopped completely from March. That is complete madness at a time when we need to be working our hardest to get people into employment.

As we have heard time and again from all sorts of hon. Members, business investment is a key driver of growth, but that is at risk, I would contend, from the Government's approach. I have bad news for the hon. Members for East Surrey (Mr Gyimah) and for Northampton South (Mr Binley) when it comes to the net lending targets that should be placed on the banks, as was promised in the coalition agreement. I am talking, of course, about those banks that are state owned and should be encouraged to lend more readily to businesses. Not only was any reference to those net lending targets in last week's Green Paper conspicuous by its absence; the Prime Minister himself said in his speech in Hertfordshire last week that net lending targets are difficult to achieve. The Minister, who has responsibility for small businesses, has also seemed to row back from those net lending target commitments in the coalition agreement. I would be grateful if he could clarify where the Government stand on those targets.

The Government have taken an axe to some of the key foundations that have been supporting business investment in recent years. For example, they have cut back the capital allowances that have supported reinvestment in new plant and technology for industry.

[Chris Leslie]

My hon. Friend the Member for Leeds West (Rachel Reeves) highlighted the cancellation of the loan to Sheffield Forgemasters. We heard this week about the scrapping of the grants for the business investment programme that have helped to create 50,000 jobs since 2004. That decision was criticised this week by Nissan, which saw that help as an essential and crucial factor in its decision to invest and in the rebalancing of the UK economy to help manufacturing.

As my hon. Friends the Members for Gateshead (Ian Mearns) and for Wigan (Lisa Nandy) said, the abolition of the regional development agencies, and more importantly the budgets they had to invest in the regional industrial economy, is a tragedy. This is compounded by any number of small changes that the Government are making that are not necessarily being noticed by our constituents, although gradually they will be. One such change that will be noticed now is the 80% cut in the undergraduate teaching budgets, which sends a clear signal that Ministers are failing to invest in the long term. The pace of private sector expansion will need to be record breaking, as my hon. Friend the Member for West Bromwich West (Mr Bailey) said, if they are genuinely going to take up the slack left by the Government's austerity. Yet there are already signs, as in today's *Financial Times*, that the business investment to GDP ratio is starting to fall short of the trend, compared with previous recoveries.

My hon. Friend the Member for Great Grimsby (Austin Mitchell) and the hon. Member for Stafford (Jeremy Lefroy) mentioned exports, which are essential to this picture. Unfortunately, they look like they will weaken because of the economic climate, and the Governor of the Bank of England said yesterday that with more than 60% of UK exports going to the eurozone—for example, 7% to Ireland alone—there are big risks to growth if our trading partners contract. The Treasury states clearly that it needs growth in exports at a rate only last achieved in 1974. Achieving that rate is a tall order.

As we see it, Ministers have very little strategy for growth, and are relying too much on monetary policy coming to the rescue. That is a dangerous approach. We say that jobs and growth need to come first, and the Government need to wake up and end their recklessness.

5.48 pm

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): May I congratulate my right hon. Friend the Member for Wokingham (Mr Redwood) not only on securing the debate, but on being generous enough to be concise in his remarks? I can see that I will have to join the fan club for those who enjoy his website. I shall try to have a look at it later this evening. We have heard from more than 30 speakers today, and despite the absence of our friends in the media, it has shown that the House is alive and well, and very keen to ensure that there is a cross-party debate on this crucial subject. Indeed, not only did we get the views of 30 Members, but I also appear to have got the detailed views of a barber in Bedford. I suspect I will not be going there for the weekend for that particular support and advice.

I shall now move to the centre of the debate. Hon. Members will appreciate that in order to allow my right hon. Friend to deliver the last few words, I will be unable to address all the issues raised by my 30 colleagues.

Returning the UK economy to balanced and sustainable growth is the overriding ambition of the coalition Government, but to achieve this we need a different model of economic growth—one that leaves behind the old reliance on spiralling Government spending, a handful of economic sectors and debt-fuelled consumption. In its place, we must ensure that we build an economy that is rooted in higher levels of business investment, more exports and a strong manufacturing base. As a number of hon. Members have said—including my hon. Friends the Members for Watford (Richard Harrington), for Battersea (Jane Ellison) and for Stafford (Jeremy Lefroy)—economic growth will be led by the private sector and entrepreneurs, not by the Government. However, the way in which the Government tax, spend and regulate has an impact on businesses and their ability to compete at home and abroad. We therefore have a responsibility to ensure that we create the best possible environment in which they can grow and flourish.

When this Government took office, the most urgent task that we faced was to restore macro-economic stability to the UK economy. A decade-long credit binge had left us with a record public sector deficit, leaving households and businesses perilously exposed, so that when the credit crunch came, Britain was especially vulnerable. The previous Government let people think that there were no consequences to unsustainable borrowing. Their attitude to the deficit led the way, so that by the end of the last financial year, £1 in every £4 that the Government spent was borrowed money. Thus, if we had done nothing about the problem and followed the advice of the previous Government, by the end of this Parliament we would be paying £70 billion in debt interest. That is more than we spend on either schools or defence. Without stability, the economy simply cannot function properly, let alone grow.

Let me turn to some of the issues that hon. Members have raised in this debate, and in particular those concerning small and medium-sized businesses, the tax system and the pressures and problems of regulation. The first point, which was raised by a number of Members, including my hon. Friend the Member for North West Leicestershire (Andrew Bridgen), was the fact that the tax regime is strangling innovation. The UK tax regime has become increasingly complex and burdensome. After 13 years of a Labour Government, we now have the world's longest tax code. That is why we have put reforming the tax system, making it simpler and more predictable, at the forefront of our plans.

The issue of improving access to finance has been raised by many Members in this debate, including my hon. Friends the Members for Northampton South (Mr Binley) and for East Surrey (Mr Gyimah), and the hon. Member for Copeland (Mr Reed). We recognise that some viable businesses—especially small businesses—are struggling to finance investment and expansion. Unblocking the flow of credit and increasing the availability of debt and equity finance, as mentioned by a number of hon. Members, is a priority. Let me make it clear that the industry's recent commitments to finance the economic recovery—commitments made through the British Bankers Association—are welcome. The proposals include a

new and revised lending code for small businesses, and a new appeals process when finance is declined. Both are welcome. The BBA has also proposed creating a £1.5 billion business growth fund to provide flexible equity finance for established businesses with good growth prospects.

However, let me say this to hon. Members—and, therefore, to the businesses in their constituencies and the banks that should be working for them. Where unreasonable behaviour is shown we will challenge those banks, and we will do so vigorously. It is extremely important to ensure that we do that. However, a key part of the solution lies also in finding more diverse sources of finance, and greater competition. My hon. Friend the Member for Stourbridge (Margot James) rightly pointed out that if we ensure a wider range of choices for small businesses, that will be important in the medium and longer term. The Independent Commission on Banking is looking at those issues, and it will report next spring.

In the meantime, the Government are taking action. We are extending the enterprise finance guarantee scheme until 2015, unlocking up to £2 billion of additional lending over the next four years. I note the remarks of my hon. Friend the Member for Hove (Mike Weatherley), and I ask him to keep me closely informed if there is any evidence that a sector is being deliberately discriminated against.

We are also increasing the enterprise capital funds by £200 million over the next four years, potentially enabling more than £300 million of venture capital investment. That will help to fill the existing gap in equity provision for fledgling SMEs with strong growth potential—a gap that many Members have referred to. As my hon. Friend the Member for Stafford pointed out, business angels are a crucial part of the equation. We are keen to see an expansion in business angels, so we are looking into how to create a more investment-friendly climate for them. That may include reforming the rules governing the enterprise investment scheme.

In the few minutes remaining to me, I want to turn to the big matter that many hon. Members, including my right hon. Friend the Member for Wokingham, and my hon. Friends the Members for Stourbridge and for Skipton and Ripon (Julian Smith) raised—red tape. In recent years there has been an increasing rush to regulate. Under the previous Administration, we saw that peak at the equivalent of 14 new regulations every working day.

As a new Government, we are trying not just to tinker with and change a few regulations, but to deal with Whitehall's prevailing culture. It is time for a different approach, so we have adopted a one-in, one-out system of control for new regulations. That means that before a Minister can introduce a new regulation, they must first examine the cost to business and identify a corresponding cut in existing regulations, so we will be able first to cap and then to cut the burden of regulation. I hope that that answers hon. Members' questions about whether the system would merely retain the problem, or improve it.

We want to do a lot more. We have inherited a significant number of regulations that cause real problems for existing businesses. That is why the Department for Communities and Local Government is already examining building regulations to improve, simplify and overhaul them for the construction industry. It is also why the Government have already adopted the proposals in Lord Young's excellent report on reforming and improving health and safety legislation. It is why the Prime Minister asked Lord Young to go further, and to review the whole burden of regulations throughout Whitehall, and how they impinge on the bottom line of small and medium-sized enterprises.

Together, those measures will begin the process of changing not just a few regulations—not just 20, 30 or 40 regulations—but the culture of Whitehall. I am not naive enough to believe that the task will be completed in a year, or a couple of years. It will be difficult, but let me tell the House in no uncertain terms that we are determined to ensure that we get it right, because that is crucial for our economic competitiveness.

I shall conclude by saying that the Government believe that private sector enterprise, innovation and investment are the keys to future growth. We believe that the Government's job is not to tinker and meddle, but instead to create a stable macro-economic framework within which businesses have the confidence to invest. That means not picking winners, but ensuring that we have the right business environment in which the best will flourish. It means a simple, more predictable tax system that rewards endeavour. It means better access to both debt and equity finance. It means less red tape and fewer regulators, a skilled work force and more apprenticeships. It means sustainable investment in our infrastructure and support for exports to markets around the globe. In each case the Government have a role to play, and we intend to be an effective partner for business.

5.57 pm

Mr Redwood: I thank all who participated in this debate. It is a sign of the success of the Backbench Business Committee's choice of topic that I do not have enough time to respond in detail to colleagues in the way that I would like, having sat here patiently listening to some good contributions. I hope that the Minister recognises that my hon. Friends and I, as well as Opposition Members, are extremely worried about the position on bank credit. The hon. Member for Leeds West (Rachel Reeves), my hon. Friends the Members for Hove (Mike Weatherley) and for Northampton South (Mr Binley), the right hon. Member for Wolverhampton South East (Mr McFadden), the hon. Member for Edinburgh South (Ian Murray) and I made a number of points.

Although I am grateful for the measures that the Minister sketched for an economy of a few billion pounds, we are talking about a £1.5 trillion economy. A few billions will not make a big difference, and I urge him and his hon. Friends in the Treasury to look again at why the Bank of England is depressing the accelerator—printing money and telling people that the water is lovely—and the banking regulator is depressing the brake and saying that money cannot be lent to industries that need it, or for the big projects that are much needed throughout the country.

A Labour Member became excited when he thought he heard me say that we want a big public works programme paid for by the public sector. I clearly said that we need a big public works programme—paid for wholly or mainly by the private sector. That is what we need to release banking credit for longer-term projects. We need the power stations, the transport links and the broadband. Those are the things that could bring the House together.

[Mr Redwood]

This has been a well-tempered debate, and hon. Members have expressed their fears and worries for their constituencies, but all have come together to say, "Yes, growth is what we need; bring on the growth; all we love is growth, and we must do more to achieve it." The Government must control their deficit, but they must also do rather more on infrastructure, regulation, taxation and a number of issues to get that growth assured faster. They must persevere throughout the whole four years that remain of this Parliament and the Government's budget strategy, so that we get those jobs and the big increases in tax revenue that are much needed to deliver their plans.

A large number of Labour Members—too many to read out in the few seconds remaining—were very concerned that public spending cuts would have a depressing effect on the economy.

6 pm

Motion lapsed (Standing Order No. 9(3)).

RAF Marham

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Dunne.)*

6 pm

Elizabeth Truss (South West Norfolk) (Con): I am delighted to have secured this Adjournment debate today on an issue that is critical not only for my constituents but for Norfolk as a whole and, more broadly, for East Anglia. There has been a lot of talk over the past few weeks about the future basing of the Tornado aircraft. These discussions have involved high politics, not least because we are in the run-up to the Scottish elections. I want to talk today about how the decision ought to be based on military and economic criteria, taking into account issues such as employment and deprivation. We cannot allow this debate to be dominated by politics. On this day of all days, as we pay tribute to our brave service personnel, it is important that their needs should be taken into account.

RAF Marham was established in 1916 to defend us against the German zeppelins. Its personnel fought in the first world war, the second world war and, more recently, in Iraq and Afghanistan. There is a great deal of anxiety about their future among the personnel at the base, some of whom have recently returned from Afghanistan.

Andrew Griffiths (Burton) (Con): I had the privilege of visiting RAF Marham recently as part of the all-party parliamentary armed forces scheme, and of meeting members of the Tornado squadron there. That squadron has been in combat for almost six years solid, and it makes a big contribution to our activities in Afghanistan. Does the hon. Lady agree that it is up to us to support it by giving it some stability?

Elizabeth Truss: That is exactly how I feel. The 2 Squadron recently returned to a heroes welcome in Swaffham, and I know how important it is for the local community and for those people who are based at RAF Marham that this decision be taken properly and rationally. We cannot play politics with people's jobs and with our nation's defences.

Among the key features of RAF Marham are the engineering and maintenance facilities based there. There is a high level of expertise, on the industry side and on the military side, which has taken years to develop. Indeed, there were previously eight separate locations for the maintenance and engineering facilities, but they have been consolidated at RAF Marham. I understand that those facilities are one third more efficient than their US counterparts in manpower terms. Over the years, they have saved billions of pounds for the Exchequer. To move those facilities elsewhere would cost at least £50 million, simply because of the levels of hardware and personnel involved.

Mr Richard Bacon (South Norfolk) (Con): My hon. Friend visited RAF Marham with me earlier this year. Will she reflect on what we were told by BAE Systems and Rolls-Royce engineers about the specialist layout for depth maintenance at Marham, which cannot be replicated elsewhere because of the size of the facilities?

Elizabeth Truss: My hon. Friend has made a good point about the facilities, but I am thinking not only about the facilities but about the staff. I fear that, at a time when we are involved in a conflict in Afghanistan, moving the skills base—as well as the physical presence to which my hon. Friend has referred—would be dangerous and costly, and I do not think that we can afford to do it.

RAF Marham has built up a tremendous skills base locally. Unfortunately, the area suffers from relatively high unemployment and deprivation, and the skills and jobs at RAF Marham are very important to local people. I recently visited Hamond's high school, where many young people told me of their aspirations to join the Royal Air Force and become engineers. It would be disastrous to remove such a source of aspiration for young people from that area at this time. Many young people take up apprenticeships at RAF Marham, and it has built up tremendous support in the community.

I am very pleased that so many of my hon. Friends from Norfolk, East Anglia and elsewhere are in the Chamber. All nine Norfolk Members of Parliament—and let me point out to the Minister that they are all flying the coalition colours—have backed RAF Marham, because they know how important it is to the Norfolk economy. All eight councils in Norfolk, controlled by all three major parties, have also come out in support of RAF Marham as part of our "Make it Marham" campaign. I believe that in due course a petition will be presented to the Secretary of State and at No. 10 Downing street. That is not to mention the town mayors and the local businesses, which will be affected by any change.

There is a huge degree of local support for RAF Marham, and a huge amount of local pride has been invested in it. However, it is not just a question of the support that it commands locally. There is also the military presence that it affords, and the location that it provides for the conflict in which we are engaged in Afghanistan. It is possible to fly from RAF Marham to our forward operating base in Cyprus without the need for in-flight refuelling. That does not apply to other air force bases, and I think it is an important factor. RAF Marham is also well located for our United States allies in Lakenheath and Mildenhall.

RAF Marham has the RAPTOR—Reconnaissance Airborne Pod for Tornado—system, which my hon. Friend the Member for South Norfolk (Mr Bacon) and I saw during our visit, and also a tactical imagery intelligence wing, which produces high-quality images that are used not only by our service personnel but by our key allies. A large amount of important equipment and military intelligence is collected there. During the current conflict, we hear a great deal about the ground forces but slightly less about the role of the Tornado, because it is rather more secret and not open to public view in the same way. As was said earlier by my hon. Friend the Member for Burton (Andrew Griffiths), we ought to support what those people are doing.

Mr Keith Simpson (Broadland) (Con): I congratulate my hon. Friend on her hard work in support of RAF Marham, which affects a number of our hon. Friends. If RAF Marham were to close completely, only one Ministry of Defence base would remain in Norfolk—at Swanton Morley, a former RAF base that is now the base of the Light Dragoons. There is a lot of concern in Norfolk. RAF Coltishall, part of which is in my constituency, closed six years ago, but 80% of the base—now owned by the Ministry of Justice—has still not been taken over. The fear has always been that RAF Marham would be left on its own. Perhaps the Minister will tell us whether, if either RAF Lossiemouth or RAF Marham lost the RAF operational element, any of the military units from the United Kingdom support division would go into whichever base was closed.

Elizabeth Truss: I entirely agree with my hon. Friend about the detrimental effect of the closures that we have already seen in Norfolk and East Anglia. I should like the Minister to consider the future of RAF Marham when the Tornado is retired. My understanding of the 2005 report on the joint strike fighter is that RAF Marham was considered a suitable option for the JSF. As the equipment is modified and—I am given to understand—the noise levels would be lower, it might be a potential future location, so we could continue building on our excellent engineering and maintenance facilities.

Mr Bacon: On my hon. Friend's point about the JSF, because Marham has an extra-long runway it could be used by a wide variety of aircraft, not just the JSF. Also, when we were there, we saw an enormous amount of expensive work, paid for with taxpayers' money, being done to refurbish the runway.

Elizabeth Truss: That is right, and my hon. Friend makes a very good point about the amount of taxpayers' money that has already been invested. I agree that that would be wasted if we were to give up on even an alternative Ministry of Defence use for Marham, which is so specialist in the RAF. That is an extremely important point.

We have had a long discussion about the economic and military value of RAF Marham, and I thank my colleagues for their interventions, but I also want to talk about its economic value locally and the key factors for west Norfolk, about which I know my hon. Friend the Member for North West Norfolk (Mr Bellingham), who is present today, is also well aware.

Thomas Docherty (Dunfermline and West Fife) (Lab): I congratulate the hon. Lady on securing the debate on this of all days. I have absolutely no axe to grind as I live some distance from Norfolk and represent a constituency that is a great distance away. I also congratulate the hon. Lady on her delicate approach to this issue, but does she agree that it is crucial in the review that community is not set against community and that the MOD makes decisions on their merits? It is important that all communities behave in as dignified a way as the hon. Lady has this evening.

Elizabeth Truss: I thank the hon. Gentleman for his comments, and I think that is absolutely right. No MP wants to see the source of much local employment and pride in their constituency closed down. I fully appreciate that, and I know that Opposition Members are genuine in the case they might make for the base in their constituency. However, I want to make the case today that RAF Marham is located in an area with particularly high unemployment and deprivation, and I will draw the comparison with Lossiemouth. The unemployment

[Elizabeth Truss]

rate in the west Norfolk borough is 7.4%, whereas in Moray in Scotland it is 4.8%, so west Norfolk has significantly higher deprivation. We should also look at the skills levels: 15% of the population in west Norfolk do not have any qualifications, compared with 9.6% in Moray.

Thomas Docherty *rose—*

Elizabeth Truss: I am sorry, but I will not give way again, as I have already taken a number of interventions.

There is also a higher proportion of children on free school meals in west Norfolk. I say that not to denigrate other bases, because I accept that no MP wants bases closing in their area, but to make the point to the Minister that west Norfolk has relatively high unemployment and deprivation, and that ought to be taken into account. I should also point out that more people are employed at RAF Marham than at Lossiemouth and Kinloss combined. More than 5,000 people are employed at RAF Marham, as against 2,300 at Lossiemouth and 1,800 at Kinloss. Those statistics also need to be taken into account when the decision is made.

I understand the hon. Gentleman's point that all areas are suffering from their own difficulties, but it would be wrong for those very high levels of unemployment and deprivation not to be taken into account in the national debate just because some parts of the country shout louder than others. That is a concern to me, because it is very important that this decision is made on proper grounds—military grounds, economic grounds and the grounds of the public purse. This should not be about politics trumping economics; it should be about a secure skills base for communities—in my case, in west Norfolk—and a secure military future for our country, and in this instance not just for the Tornado force, but for the JSF moving into the future.

6.15 pm

The Minister for the Armed Forces (Nick Harvey): I commend my hon. Friend the Member for South West Norfolk (Elizabeth Truss) on initiating this debate on the future of RAF Marham which, as the House will understand, is of great importance to her constituency. I thank her for her words of praise for the men and women of our armed forces and the Ministry of Defence civilians who support them. This is a special day for our armed forces. It is a day when the whole nation joins together to remember their sacrifices, and I paid my respects at the national memorial arboretum this morning. The armed forces memorial is sobering, as engraved upon it are the names of more than 15,000 of those who made the ultimate sacrifice for this country, and more names are being added each year. I cannot pay high enough tribute to our armed forces, to what they have done in the past, to what they are doing in the present and to the remarkable professionalism, courage and resolve that I know they will continue to show in the future.

Given the subject of this debate, I should like to pay particular tribute to all those who work at RAF Marham and to the local community, who have, over the years, given such strong support to the station, the RAF and the nation. As my hon. Friend said, RAF Marham has a long and honourable history. During the second world war, it operated as a bomber station and in the post-war period it has also acted as a base for air-to-air refuelling aircraft. Today, it is the RAF's largest fast-jet station and it is home to a significant element of the RAF's offensive air capability, operating four Tornado GR4 squadrons, which carry out attack and reconnaissance roles. Other force elements based at RAF Marham include the Tactical Imagery Intelligence Wing, 3 Force Protection Wing Headquarters and 93 Expeditionary Armament Squadron. RAF Marham is also a centre of engineering excellence, providing engineering support to the Tornado GR4 fleet. All together, RAF Marham is one of the largest employers in Norfolk, with a total of more than 4,000 service personnel, MOD civilians, and contractors working there.

Last month, we published the strategic defence and security review, which was based on two clear priorities: protecting our mission in Afghanistan; and setting the path to a coherent and affordable defence capability in 2020 and beyond. The Government have made clear our determination to address the unprecedented fiscal deficit we inherited. Every Department has had to make its own contribution and the MOD is playing its part. Because of the priority we place on security, the defence budget is making a more modest contribution to deficit reduction relative to many other Departments, but even so, regrettably, this has meant tough decisions. The SDSR process aims to bring defence plans, commitments and resources into balance. It is painful, but we have to make sacrifices to get the economy and the defence programme back on track.

Our fleet of Harrier and Tornado air defence and ground attack aircraft have performed magnificently over the past 30 years, but those aircraft risk becoming outdated as threats continue to become more varied and sophisticated, and maintenance of the fleets will become an increasing challenge. So, RAF plans to make a transition to a fast-jet force comprising just the Typhoon and the joint strike fighter by 2021 make operational and economic sense. The decisions to retire our Harriers and to reduce the number of Tornados involved very difficult choices, which we had to make to focus resources where they are most needed: in support of current operations. The Tornado GR4 force, even at its reduced size, will be significantly larger than the current Harrier force. So retaining the more capable Tornado allows continuous fast-jet support to forces in Afghanistan and the ability to support concurrent operations. That would not be possible if Harrier were retained and Tornado retired.

We know from our work on the SDSR that RAF Kinloss and two other bases will no longer be required by the RAF. I can understand that that will be cause for some concern at Marham, as it is elsewhere in the country with ties to the Air Force. Of course, this is not just about fast jets—nor is it even just about the RAF. The decision on Tornado basing will have to take into account wider RAF and defence requirements. For example, the Prime Minister announced our intention to accelerate the re-basing of the Army from Germany, which also needs to be taken into account.

The Ministry of Defence will need to determine what makes the most sense for the structure of our armed forces, including where they are based, where they need

to train and operate from and ensuring value for money for the British taxpayer. However, no decisions have been taken on our future basing requirements beyond those that I have just outlined. It will take time to work out which of the bases we retain and the uses to which they are put. In that work, we will also look beyond those bases directly affected by the SDSR decisions.

My hon. Friend has reminded us of the importance of RAF Marham as the Tornado force headquarters and of the wider economic and social position of RAF Marham in the south-west Norfolk community. We have also had similar representations from my right hon. and learned Friend the Member for North East Fife (Sir Menzies Campbell) regarding RAF Leuchars and from the hon. Member for Moray (Angus Robertson) regarding RAF Lossiemouth. The MOD has also received submissions from the Moray taskforce. The thousands of people who marched in Lossiemouth on Sunday reminded us, if we needed reminding, of the strength of feeling these decisions generate in local communities.

So we know that these are important decisions and that we must get them right. I know—and regret—that this means uncertainty for the people and communities concerned. My hon. Friend the Member for South West Norfolk made that point powerfully, and it is understood, but I emphasise to her again that there is no proposal to close RAF Marham. The issue has to be seen in the context that I have just described.

We will not rush to a conclusion without proper analysis. It will take time for us to reach the right decision. As the SDSR states, we will aim to do so in a way that is sensitive to economic and social pressures and the needs of our people and their families. We also want to make sure that any decisions fully consider the implications for Tornado personnel operating in Afghanistan over the coming year as well as their families. It is therefore unlikely that any decisions on Tornado basing will be taken before next spring at the earliest. We will of course listen to any representation from local communities as we work through our decision. As and when it proves necessary, we will work with all the relevant agencies and the local communities to manage the local impact of our decisions.

The SDSR announcement marked the beginning, not the end, of a process that will transform our armed forces to meet the challenges of the future. That includes decisions on all military estates, such as RAF Marham. Further work is now needed to establish how we will deliver the SDSR's findings.

Thomas Docherty: The hon. Gentleman is a decent Minister. Will he assure all the communities affected that the Ministry will work quickly and that when the decision is made, the communities will be the first to know, so that the media do not—through whatever process—discover before the three or four affected communities?

Nick Harvey: I certainly give the hon. Gentleman a commitment that we will try to make sure that that happens in an orderly fashion, as he describes. I must stress, however, that as this process involves an estate review across defence, more than three or four communities will have an interest. It is a very big piece of work. Of course we will endeavour to do things quickly but, as I have stressed, there will be a detailed and comprehensive study across not only the whole of the RAF but defence as a whole. It will consider the issues I have discussed, including where units that come back from Germany might be based. We will do it as quickly as we can, but I do not want to mislead him into thinking that that means he will get an outcome any time soon.

We need to do further work to establish the detail of how to progress, but I am determined that at the end of the process, the United Kingdom will have the capabilities it needs to keep our people safe, to meet our responsibilities to our allies and friends and to secure our national interests. As they were in the SDSR, our decisions have to be objective, unsentimental and based on the military advice we receive. We need to focus finite resources where they are most needed. We know that the armed forces will be smaller and that, as the RAF reduces its number of fast jets, it will inevitably need fewer flying stations. Although the RAF might become leaner, we can maximise investment in new aircraft, as well as assuring full support to current and contingent operations. The transition to the combined fast-jet fleet of joint strike fighters and Typhoon will certainly provide the RAF with world-class capability for the future. My hon. Friend has called on the Government to base their decisions on military necessity, the realities of the public purse and the socio-economic impact on the areas affected and I assure her that that is precisely what we intend to do.

Question put and agreed to.

6.26 pm

House adjourned.

House of Commons

Friday 12 November 2010

The House met at half-past Nine o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Robert Flello (Stoke-on-Trent South) (Lab): I beg to move, That the House sit in private.

Question put forthwith (Standing Order No. 163).

The House proceeded to a Division.

Mr Speaker: I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 2, Noes 61.

Division No. 116] **[9.34 am**

AYES

Chope, Mr Christopher
Nuttall, Mr David

Tellers for the Ayes:
Mr Peter Bone and
Jacob Rees-Mogg

NOES

Alexander, Heidi
Ali, Rushanara
Bain, Mr William
Baker, Norman
Baldry, Tony
Barker, Gregory
Blunt, Mr Crispin
Bottomley, Peter
Brennan, Kevin
Brooke, Annette
Brown, Lyn
Burstow, Paul
Caton, Martin
Clark, rh Greg
Coaker, Vernon
Crabb, Stephen
Curran, Margaret
Docherty, Thomas
Durkan, Mark
Ellis, Michael
Fallon, Michael
Field, Mr Mark
Fitzpatrick, Jim
Flynn, Paul
Gauke, Mr David
Goldsmith, Zac
Hart, Simon
Heath, Mr David
Hillier, Meg
Hollobone, Mr Philip
Horwood, Martin
Hunt, Tristram
Hurd, Mr Nick
Johnson, Joseph
Jones, Graham
Kawczynski, Daniel
Lammy, rh Mr David
Lidington, Mr David
Lucas, Caroline
McCarthy, Kerry
McGovern, Alison
McLoughlin, rh Mr Patrick
Morrice, Graeme *(Livingston)*
Newmark, Mr Brooks
Newton, Sarah
Paice, Mr James
Paisley, Ian
Penrose, John
Randall, rh Mr John
Reckless, Mark
Reid, Mr Alan
Smith, rh Mr Andrew
Smith, Julian
Spellar, rh Mr John
Turner, Mr Andrew
Vara, Mr Shailesh
Webb, Steve
Whiteford, Dr Eilidh
Williamson, Chris
Wright, David
Wright, Jeremy

Tellers for the Noes:
Robert Flello and
Joan Walley

Question accordingly negatived.

Mr Christopher Chope (Christchurch) (Con): On a point of order, Mr Speaker. I do not know whether you were copied in on the e-mail that a number of us received yesterday afternoon from the Chief Whip, but it informed us of a further 13 Parliamentary Private Secretaries and helpfully enclosed a consolidated list of the 46 PPSs—an all-time record—who add to the 95 Ministers on the payroll vote. Can you ensure that that list is printed in *Hansard*? Surely it is important that the public know who the Parliamentary Private Secretaries are because they hold important positions and have forfeited a lot of their independence by taking on those responsibilities.

Mr Speaker: I am extremely grateful to the hon. Gentleman but, sadly, what he has just said does not constitute a point of order, as I think he is eminently well aware, although, arguably, it might constitute a point of frustration. I do not think that my requiring the Government to publish such a list in *Hansard* would be at all reasonable because it is not a matter for me. I did not know about it and I know very little, if anything, of the contents of that list, but I think I can predict with some certainty that the hon. Gentleman is unlikely to feature on it.

Sustainable Livestock Bill

Second Reading

9.50 am

Robert Flello (Stoke-on-Trent South) (Lab): I beg to move, That the Bill be now read a Second time.

I would like to take this opportunity to thank Friends of the Earth and its many activists across the UK and, indeed, the world for the support and commitment that they have shown on this crucial issue. I am indebted to Martyn Williams and his team for the hours of work put in to bring the Bill forward. I should also like to thank Dairy UK, the Royal Society for the Protection of Birds, the National Trust, the Soil Association, the World Society for the Protection of Animals, the National Farmers Union, Compassion in World Farming and many other groups for talking to me about their views on this matter.

A number of people have asked why a Member of Parliament who clearly enjoys his food, and who represents an urban constituency and one of the more deprived areas of the country, should be bothered about how animals are reared for food production. As I intend to explain, it is precisely for those reasons and more that the Bill must make progress through the House.

Let me illustrate my point. Many people watching this debate will see adverts depicting animals being reared on pasture. It is not without good reason that the marketing staff of a certain burger chain show images of green fields and cattle grazing. They want consumers to believe that their burgers are healthy and natural. Equally, a dairy company ad shows a child bringing a glass of milk from the cow in the field to the dairy door to make into yoghurt. Why do they show such images? Because it is a natural instinct to equate ruminants with pasture grazing, yet the truth is something that the ad men wish to shield us from.

The reality is that, with some exceptions, our livestock are no longer grazed on natural pasture out in the fields, where traditional hardy breeds can live all year round. Our livestock are now routinely kept indoors for anything up to the whole year, and are fed on cereals, especially imported soya. Hardy breeds are being phased out in favour of high-yielding, carefully selected animals. The more I have dug into the subject, the more troubling I have found it. There have been books and papers galore written about the issues. There are seminars and discussions taking place on the subject across the globe even as I speak. At the risk of making what is perhaps quite a suitable pun, it really was a case of opening up a can of worms.

The United Nations report, "Livestock's long shadow", notes that livestock farming is among the two or three most significant contributors to global climate change on every scale from local to global. It has calculated that from 18% to as much as 51% of global anthropogenic greenhouse gases come from livestock production. Some organisations will say that that is a myth, or else that the answer to the adverse effects is even greater industrialisation of livestock production. Indeed, some will say that it is all a vegetarian conspiracy or similar, designed to stop us eating meat or to put British farmers out of business. Rubbish.

Some of the drivers behind climate change are hidden. For example, the production of soya in south America requires high-nitrate fertilisers and weedkillers, and there are greenhouse gas emissions from both the production of those fertilisers and chemical sprays and their transportation to farms. There is also the high energy use involved in harvesting the soya and transporting it halfway round the world to Europe for use in animal feeds. As I shall go on to say, the land clearance to grow the soya also releases carbon dioxide into the atmosphere and causes further climate change.

It is not just greenhouse gases that are an issue; there is the direct impact on people, too. The number of farms in the UK has declined, and with them, the number of farmers and their workers. Thankfully, the vast majority of farms are still smaller, family-run businesses in rural areas, but for how long? The advent of dairy super-sheds, such as the one proposed in Nocton in Lincolnshire, with its 8,000 head of cattle, can only hasten the demise of both the smaller British farmer and the rural economy that he or she supports. Our British farmers who get caught up in the vicious cycle of intensification are then at the mercy of soya prices, with their direct link to world oil prices.

Ian Paisley (North Antrim) (DUP): Does the hon. Gentleman accept that the entire UK agricultural industry is responsible for just 7% of the UK's greenhouse gas emissions, and that our industry's emissions have already fallen by 21% since 1990?

Robert Flello: I thank the hon. Gentleman for his intervention, but the figures depend on how one measures emissions and where one puts the marker down, as organisations such as Dairy UK are more than prepared to accept.

It is not only in the UK that people are adversely affected by the issue. I met an activist from Paraguay who told me about the subsistence farmers in his country. They are forced off their land, either by the big-money soya farmers who are taking over vast tracts of their countryside, or through the indiscriminate use of glyphosate weedkillers, which are sprayed without consideration on to the genetically modified soya crops, poisoning the land and the water supply and, horrifically, in too many cases, killing and injuring local citizens. There are problems not just in Paraguay; in the cerrado area of Brazil, there were over 900 species of birds and 10,000 different species of plant. The cerrado or savannah has now been reduced to half its original size because of land clearance to grow soya and biofuels. The same applies to rainforests and other parts of the world.

Mr David Nuttall (Bury North) (Con): On that point, has the hon. Gentleman any assessment of what percentage of that rain forest destruction, which I accept has taken place, relates to the import to this country of soya-based products, and what percentage relates to the rest of the world?

Robert Flello: The hon. Gentleman raises an interesting point, and that is just the sort of thing that we should discuss in Committee, if the Bill receives its Second Reading today.

The claims over the past decade of abundant food and EU food mountains have now switched to the familiar cry that we need to double food supply in the next 10 years or so, yet how can such an increased reliance on oil help with food security? A dairy farmer

in Whitmore, near my constituency, who is leading the way on sustainable livestock farming, put it simply. He said that it is now the job of dairy farmers to turn oil into milk. However, he sees his role as trying to produce high volumes of milk with minimal oil, and that is the sustainable, food-secure route. He does it by using natural pasture and clovers.

If we really need to increase food production, why are we feeding cereals to animals? It is very inefficient. It takes around 20 kg of cereal to produce just 1 kg of edible beef. That is not food-secure. Some 58% of EU cereal production is used in animal feeds, and that is supplemented by the 33 million tonnes of soya imported each year. How is that food-secure?

Mr Christopher Chope (Christchurch) (Con): Is there not a more important issue, in that much of the soya is not even kept in the food chain, but is used for making oil and for burning?

Robert Flello: I am grateful to the hon. Gentleman for his intervention, and again, those are the issues that we really need to tease out in Committee.

The purpose of my Bill is not, contrary to what some have suggested, to add to the bureaucratic burden on farmers; that is nonsense. No one will find anything in the Bill that does that. Quite the opposite; the Bill says that the Secretary of State will have an obligation to ensure that British farmers are kept in their jobs.

Ian Paisley: Clause 1(2)(e) refers to

"changing the subsidies available to…support…farmers to promote sustainable livestock practices".

Any change to the subsidy will have an impact on the application process that a farmer has to go through. That will put a practical burden on the farmer. Indeed, trying to adjust subsidies in the European Community is against World Trade Organisation and common agricultural policy practices and policies. I accept that the hon. Gentleman's motivation is very positive, but the practical impact will be to impose red tape and a burden on farmers.

Robert Flello: I am grateful again to the hon. Gentleman. He will find that the CAP subsidy system is up for review in the next couple of years and there may well be changes anyway. That is even more of a reason to ensure that the future subsidy system operates in a way that is both efficient and effective for the farmer, but also promotes sustainability.

My Bill simply requires the Secretary of State to think about how every policy he works on can improve sustainability. It has been said by some that legislation is not needed—indeed, I am expecting speeches on that point very shortly—and that the Government could simply implement policies that tackle the problem. I wish that were the case. To my regret, the previous Government, despite documents such as "Food 2030", which acknowledged the impact of soya on climate change, did not take action on that. I am sad to say that the coalition Government thus far have issued the natural environment White Paper, but the Department's own business plan for 2011 to 2015 has no mention of the impact of soya. Clearly, legislation is definitely needed. My Bill is a "direction of travel" Bill that gives the Secretary of State wide leeway, but nevertheless requires her to take sustainable livestock seriously, and to take action.

I know that there will be some in this Chamber who, for whatever reason, will be unhappy about the Bill, so for them let me quote some words from a 2008 speech:

"Calorie for calorie, you need more grain if you eat it transformed into meat than you do if you eat it turned into bread…As a result, farmers now feed 250 million more tonnes of grain to their animals than they did twenty years ago. That's enough wheat to feed the population of Brazil—for twenty-five years."

Those are not my words; they are the words of the Prime Minister when he was in opposition in 2008. He identified the scale of the problem, but sadly not a single policy has found its way into the Department for Environment, Food and Rural Affairs to do anything about it as yet—I hope it does. That is why we need the Bill, and why I hope that hon. Members across the Chamber will allow the Bill to pass today unopposed into Committee, where we can sort out the detail, have the discussions, get people around the table, which is exactly what the Bill proposes. I hope hon. Members on both sides of the Chamber will engage in robust debate, but then move on to the subsequent business of the day.

10.2 am

Mr David Nuttall (Bury North) (Con): Before I start, I just want to pick up on a couple of points that were made by the hon. Member for Stoke-on-Trent South (Robert Flello). I congratulate him on coming second in the ballot for private Members' Bills this year. The point that slightly confused me came quite near the end of his remarks. He said that not a single policy arising out of the comments from the then Leader of the Opposition, now the Prime Minister, had found its way into the policy platform for DEFRA in the coalition Government agreement. I have to say, having spent some time studying the Bill in the past couple of days, that the Bill itself is somewhat light on policy. I would submit, as I will explain in a moment, that there is nothing about policy in this measure. It is a bit rich to make that point because, as the hon. Gentleman himself says, the Bill is simply a "direction of travel" measure. It does nothing to suggest specific policies.

I have no doubt at all that the sponsors of the Bill have entirely laudable aims and good intentions. I am entirely in sympathy with those who would wish to see the ending of the indefensible deforestation of the tropical rain forests in south America, which are one of the last natural regions of the world that has not been ravaged by man. We should do all that is reasonable to try and protect them. I am sure that everyone who is promoting the Bill is well-meaning, and that no one would argue that we should not do all that we properly can to make wise and sensible use of our world's precious resources.

The underlying rationale behind the Bill is one which I am sure that everyone would support—that is not in dispute. After all, who could possibly argue against the idea of sustaining the lives of cows, sheep, goats, pigs and so on? Sadly, I fear that the net effect of the Bill could well result, not in the continuation of livestock farming in this country, but in its steady and gradual decline.

Mr Chope: Does my hon. Friend share my concern that one of the big problems is that the Bill has been oversold to our constituents, who have been writing to us saying that if it were passed into law, we would save the rain forest, do away with all large livestock intensive production, reduce the amount of meat eating and so on? None of those things will actually be achieved by the Bill. Can my hon. Friend confirm that?

Mr Nuttall: I thank my hon. Friend for that point. It seems to me that there are many groups—and I will mention this later—who have supported the Bill and led their supporters to believe that it will bring about what they have been campaigning for. However, if any of their supporters had actually been sent a copy of the Bill, I fear that they would be very sadly disappointed, because it is silent on the specifics of those campaigns.

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): Does my hon. Friend have a view on why almost no land use or agricultural organisation in the whole of the UK is enthusiastic about the Bill?

Mr Nuttall: I thank my hon. Friend the Member for Carmarthen and wherever for that good point. The people most closely connected with farming in this country, while they support the aims of the Bill's sponsors, do not support the Bill itself. We have to ask why that is.

Martin Horwood (Cheltenham) (LD): The Rare Breeds Survival Trust, which has connections with livestock and farming, thinks that the Bill is a good thing and may promote a local feed industry, which could help to protect British farmers from fluctuating feed commodity prices. Does the hon. Gentleman not welcome that?

Mr Nuttall: I welcome the fact that there are groups such as the Rare Breeds Survival Trust, which works to maintain historic breeds and to promote organic farming. There is nothing wrong with that, and I appreciate the fact that it supports the Bill's aims. However, my hon. Friend will agree that it represents a relatively small part of the farming community.

Michael Ellis (Northampton North) (Con): Is my hon. Friend aware—I am from Northampton North, by the way—that the National Farmers Union, which could be said to have the best knowledge about what is in the farming community's best interests, does not appreciate the Bill? Although it believes that its intentions are admirable, it believes that it would make bad law and could lead to serious harm to the UK livestock sector.

Mr Nuttall: My hon. Friend is right. The NFU has stated that it supports the aims of the Bill, which it thinks is "admirable in intent", but does not take into account the work that has already been done—a point that I shall make later.

Mr Andrew Turner (Isle of Wight) (Con): Does my hon. Friend agree that many people are concerned about what will happen in the future? What concerns them in particular is the keeping of cows in hundreds and hundreds in barns, rather than in the countryside?

Mr Nuttall: I agree. My hon. Friend is right. Many people are concerned about that. They can already support organic farming by buying organic products. That is the way forward. I would like to see the problem resolved by organisations promoting organic foodstuffs and by individuals choosing to support, of their own free will, organic farmers and buying organic products. To try and achieve those aims by putting on the statute book legislation such as the Bill before us is not the way forward.

Mr Chope: Does my hon. Friend agree that the issue goes further than that? Many people who support intensive livestock farming argue that it will help to save the planet by reducing the amount of methane going into the atmosphere. The Bill could be used as an argument in support of intensive livestock culturing.

Mr Nuttall: My hon. Friend makes a good point. I am sure he will want to expand on it later in the debate.

My concern about the Bill is that it will not achieve what it seeks to do and that, by passing it, all we will have achieved is to put yet another piece of legislation on the statute book imposing a new raft of obligations on the Secretary of State. The effect of those obligations will be that the Secretary of State has no alternative but to increase the number of rules and the amount of regulation imposed on our nation's farmers.

Julian Smith (Skipton and Ripon) (Con): Does my hon. Friend agree that farmers throughout Britain, particularly in Skipton and Ripon and north Yorkshire, which I represent, are fed up with the amount of regulation, red tape and bureaucracy that they have had to deal with in recent years, and that the Bill is one further example of that, which they could well do without?

Mr Nuttall: In the area that my hon. Friend represents, he has, I suspect, one of the highest densities of farmers of any Member in the House.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): Apart from Shropshire.

Mr Nuttall: Indeed, but I am sure north Yorkshire is up there, at the top of the league table. From the comparatively small number of farmers in my constituency, Bury North, I know that what my hon. Friend the Member for Skipton and Ripon (Julian Smith) says is true. Farmers are sick to the back teeth of the amount of rules and regulations imposed on them over the years. Many arise out of the common agricultural policy, but some come from our own legislation. It is not the way forward to impose yet more rules and regulations on farmers, and I fear that that is what the Bill will do.

Jacob Rees-Mogg (North East Somerset) (Con): Does my hon. Friend agree that the Bill is particularly concerning because it is so broadly written, and that therefore we will not know what regulations could be introduced? It will become justiciable before the courts, and the House will lose power over the detail of regulation to the courts. That continues a trend that we have seen over recent years, to the disadvantage of the democratic procedures of the House.

Mr Nuttall: My hon. Friend makes a valid point, to which I shall refer later. One of the major problems with the Bill before us is that it is not clear on specifics. There is a danger that all we are doing, ultimately, is leaving the matter to be decided by the courts.

The effect of the Bill will be that the Secretary of State has no alternative but to increase the rules and regulations for the nation's farmers. It will serve only to damage the prospects of our farming communities.

Ian Paisley: Clause 1(4) highlights one of the problems which the Bill, if enacted, could create—that is, the importation of meats and foods from other countries, in particular Brazil. It identifies the problem by stating that further action would need to be taken by the Government to ensure that it did not

"lead to an increase in the proportion of meat consumed in the United Kingdom which is imported."

The very fact that the Bill identifies that problem suggests to me that it will create that problem.

Mr Nuttall: The hon. Gentleman makes an extremely important point, which I will deal with. The clause is, in many ways, a fig leaf. It tries to give the impression that everything will be all right because the Secretary of State must take into account the amount of meat consumed in this country and should not do anything that would increase, the proportion of imported meat consumed in the United Kingdom.

Two dangers arise from that. First, the provision slightly contradicts the rest of the Bill and would put the Secretary of State in a difficult position. Secondly, clause 1(4), which I shall come to later, makes no reference to dairy products, which are excluded. It is purely about meat eating. There is no reference to milk, cheese, butter or other dairy products.

Mark Reckless (Rochester and Strood) (Con): Is not a further issue with clause 1(4)—potentially an advantage, rather than a problem—that it might not be consistent with our obligations under the European Communities Act 1972?

Mr Nuttall: My hon. Friend makes a good point. There is a danger that the Secretary of State would be in a cleft stick in trying to deal with the obligations imposed by the Bill and the competing obligations under the rules and regulations of the common agricultural policy.

Jacob Rees-Mogg: Further to that point, it would be illegal and would be struck down by the courts if we were to discriminate against European meat, so the provision would be purely to the disadvantage of our Commonwealth friends: New Zealand lamb and Australian beef would be affected and we would not be able to do anything about French lamb. That would be the worst of all possible worlds.

Mr Nuttall: My hon. Friend makes a good point. That is a real danger arising from the Bill. We would finish up with people having no choice but to eat only food that we could do nothing about and which was produced in the European Union. That would be bad for consumers, it would damage choice, and our good relations with countries such as New Zealand would be put at serious risk.

Mark Reckless: I am cautious about contradicting my hon. Friend the Member for North East Somerset (Jacob Rees-Mogg), but if we inserted the provision "notwithstanding the European Communities Act 1972", there would be nothing illegal about the clause whatsoever, and would not the courts be obliged to give effect to it?

Mr Nuttall: As my hon. Friend knows, I entirely support the idea that the House should be sovereign, and if there is any doubt about which set of rules should reign supreme, it should be Acts of Parliament passed in this House, not those passed by the European Union. I do not want to spend too long proceeding down the line of European Union rules and regulations. I appreciate that that would stray—

Mr Speaker: Order. I am extremely grateful to the hon. Gentleman for what he has just said. It is very wise that he has made that observation and that he intends to operate in accordance with his own stricture. The point about regulation has been made and the point about European competence has been made. The hon. Gentleman, though a new Member, will be very well familiar with Standing Order No. 42 on the subject of tedious repetition and irrelevance, and I know that he will not wish to fall foul of that. In passing, although I know he is a man with an exceptional memory, I should perhaps just remind him and the House and others interested in our proceedings that on another private Member's Bill on 22 October this year, he developed his argument for one hour and 39 minutes in respect of a two-clause Bill. This Bill has five clauses, it is true, but he behaved in a slightly unsatisfactory way on that occasion, and I feel sure that he will not want to repeat the experience.

Mr Nuttall: Thank you, Mr. Speaker. No, I mentioned the European Union, but it was brought up by others and I simply responded to them.

I am concerned about the Bill because it appears to me that in the long term it is likely to result in the decline of meat-eating in this country and it will also affect the dairy products that we consume. I will explain why that is likely to be the inevitable result of the Bill.

The Bill's whole premise is to impose on the Secretary of State a requirement

"to improve the sustainability of the production, processing, marketing, manufacturing, distribution and consumption of products derived to any substantial extent from livestock".

The requirement could hardly have been drafted in wider terms, although, to be fair, I am sure that that is exactly what the Bill's promoter desired.

Julian Smith: My hon. Friend may be about to comment on the coalition agreement, which already contains some very strong provisions on sustainability, honesty in food labelling and food procurement. The coalition agreement has some really positive statements about some of the things in the Bill.

Mr Nuttall: It does indeed, and I will make mention of them later. I am not sure whether the Bill's promoter considered those points when drafting the Bill. If so, it raises the question of whether they were taken into account.

Mr Speaker: Order. For the avoidance of doubt, I trust that the hon. Gentleman has no intention of offering the Chamber a disquisition on the contents of

[Mr Speaker]

the coalition agreement. That would be a lengthy enterprise indeed, and I know that he does not wish to stray into that.

Mr Nuttall: No, absolutely not. It is a very tiny matter really.

I want to deal specifically with clause 1. Subsection (1) states:

"It is the duty of the Secretary of State to ensure the sustainability of the livestock industry."

What I am not clear about is why it should be the duty—I emphasise the word "duty"—of the Secretary of State to ensure the sustainability of the livestock industry. Surely the best people to ensure that farming is maintained are farmers. Surely it makes sense to rely on farmers' desire for self-preservation to ensure that they tend their livestock and look after their land in a sustainable way. All the evidence points to the fact that we can rely on them, both to protect the welfare of their animals and to care for their own land properly. How can that responsibility be transferred to the Secretary of State? Do we really expect the Secretary of State to spend every weekend driving up and down the country doing spot checks to see whether farmers are doing their bit to maintain the sustainability of their farms?

If any industry—if we are calling farming an industry, which I consider to be an unusual term, but for the purposes of the Bill it is an industry—in the United Kingdom can make a claim for having proved over the centuries that it is capable of sustainability, it is surely the livestock industry. Man has been tending animals since the beginning of time. Agriculture is the oldest of all industries continued in this country. What more can the poor farmer possibly be expected to do to make his "livestock industry" any more sustainable than it has been already?

Fortunately, the Bill's draftsman has also spotted this potential problem, and in clause 3, headed "Interpretation", we are helpfully given a most enlightening explanation of what is meant by the phrase

"ensure the sustainability of the livestock industry".

We find that it goes much further than anything that we may ordinarily think. For the purposes of the Bill, we are told that the words mean

"addressing the economic, social and environmental impacts of all stages of livestock farming and consumption, in order to…reduce emissions of greenhouse gases and address climate change in the United Kingdom and overseas…prevent biodiversity loss in the United Kingdom and overseas…promote animal welfare…protect and enhance the landscape…protect the resilience of farming communities, and…promote food security."

Not much to do there, then.

We see immediately that the idea of livestock sustainability has in one fell swoop been extended to include animal welfare, the well-being of farming communities as a whole, which I take to mean the whole of rural Britain, and the promotion of food security—matters that I feel sure any casual inquirer into livestock sustainability would not expect to see because they go well beyond any concept of sustainability, even if it is considered in its widest sense. This starts to demonstrate the enormous difficulties that face anyone who attempts to define the term "sustainable" in so far as it relates to farming. The Bill seeks to define sustainability not just in environmental terms, but in social and economic terms too. It is such a broad definition that it makes the Bill completely unworkable in any meaningful way.

I am concerned that the definition in clause 3(d) includes a requirement not just to protect the landscape, but to enhance it too. It is not clear to me why that requirement should be included in the Bill.

Joseph Johnson (Orpington) (Con): I am sure that my hon. Friend will appreciate the extent to which our farmed landscape, the visual beauty of which we enjoy every day, is owed to the farming practice of grazing. If we continue to go down the road that our farming industry has been going down of penning ever greater numbers of cows into industrial sheds to be fed imported soya, we will lose the entire warp and weft of our rural countryside, and we will lose much of the visual beauty that so many people, including farmers themselves, appreciate. Coming from a constituency that includes part of the Kent downs, I urge my hon. Friend to visit them and realise quite how much we owe to the traditional farming practices that created the country as it is.

Mr Nuttall: My hon. Friend makes a very good point. My hon. Friend has more farmers in his constituency than most people in London—*[Laughter.]* I entirely appreciate that the traditional view of the farm with its green fields is one that most people—

Jacob Rees-Mogg: My hon. Friend is enormously generous in giving way. Is it not true to say that the glories of England are created by God and the farmer, and not the bureaucrat?

Mr Speaker: Order. The hon. Member for Bury North (Mr Nuttall) should respond to that very graceful intervention within the terms of the debate on the Bill, and I feel sure that that is what he will do.

Mr Nuttall: Over the centuries, farming has been sustained in this country by the farmer and the countryside has been looked after by the farmer, and I will come on to those matters later in my remarks.

Mr Andrew Turner: Farmers have looked after the fields for generations, but does my hon. Friend agree that the problem is that, in future, people will aim to transmute that work, to take it away from farmers and to give it to bureaucrats, who build the sheds that we have criticised?

Mr Nuttall: There is a danger of that happening, and I thank my hon. Friend for that point. The Bill may make that problem even worse.

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): I am grateful to my hon. Friend for allowing me to intervene before I make my main remarks. Many comments have been made about cows and fields and so on, but it would be helpful if I informed the House that the substance of the debate is where we get soya bean meal from. The vast bulk of it is fed to pigs and poultry, not to grazing livestock, so if we are going to discuss that issue we need to recognise that if we do not import such meal, we will not have any pigmeat or poultry meat.

Mr Nuttall: The Minister makes a good point, which I shall come on to later.

Mr Oliver Heald (North East Hertfordshire) (Con): But does not my hon. Friend think it right that we should have green fields and farmers tending their livestock, not enormous great sheds, on an industrial scale, absolutely packed full of cattle being fed soya?

Mr Nuttall: My hon. Friend makes a reasonable point, and I accept that, in an ideal world, that might be the case, but in this country the climate does not always make such practices possible. Throughout history, cattle have been kept inside sheds for a large part of the year. Okay, perhaps in years gone by, they were kept in wooden sheds, and that might not be appropriate in this day and age, but it is fairly normal practice to bring cattle inside in the winter months.

Mr Heald: I fully appreciate that there is no harm at all in using sheds, but is there not an issue of scale? Some of the proposals that one hears about these days involve not just a shed, but almost an aircraft hangar.

Mr Nuttall: My hon. Friend makes an interesting point, but if we accept that it is okay for, for the sake of argument, 60 head of cattle to be kept inside a shed in the winter, providing the animal welfare standards are acceptable for 60 and not diluted when extended to 600—

Mr Heald: Or 6,000.

Mr Nuttall: Or 6,000. That is the crucial point.

Mr Turner: No, that is not the crucial point. The crucial point is that the cattle would be kept inside year-round, never setting hoof outside.

Mr Nuttall: Any farmer will tell us that an unhappy—if we can use that term—animal does not produce milk.

Simon Hart: I hesitate to interrupt my hon. Friend again so early in his speech, but is he aware of any peer-reviewed or emerging evidence to suggest that animals kept in sheds in any number are somehow at a disadvantage compared with those that might not be? It would be interesting to hear what evidence exists for that, other than hearsay, and what sounds to me like a slight Disney-fication of the problem.

Mr Nuttall: The National Farmers Union would say that there is no disadvantage and no evidence that larger-scale dairying or housing has a negative impact on the environment.

Martin Horwood: One local farmer in Gloucestershire told me of one very specific disadvantage: such practices would undermine the reputation of British farming for good animal welfare and, therefore, damage the British farming brand in general.

Mr Nuttall: That is a comment from one individual, and individuals will have their own views, but I suspect that it is not the majority view. I shall make a little more progress.

Mr Chope: Before my hon. Friend moves on, will he give way?

Mr Nuttall: Yes.

Mr Chope: Taking up the Minister's point about pigs, does my hon. Friend agree that there is another inherent contradiction in the Bill? Many people would regard the rearing of outdoor pigs on the landscape, with the attendant corrugated iron sheds, as more damaging to the landscape than intensively rearing pigs in a smaller area.

Mr Nuttall: My hon. Friend makes a very good point. There are a number of apparent contradictions in the idea that the traditional—I think the phrase used in farming is "more extensive"—methods will result in any saving or extra protection of the environment. For example, a farmer has to drive to reach the flocks of sheep that are tended on the uplands, but if they are all in one place that is much more environmentally sound.

Mr Heald: My hon. Friend is being very generous with his time, but is he really saying that we should clear the uplands of sheep? That is one of the glories of Cumbria.

Mr Nuttall: Absolutely not. That is, indeed, one of the glories, and as someone who has on many occasions enjoyed walking in that environment and eating such animals, I certainly would not suggest as much, but it is worth considering that even in the most natural of environments, that method of farming still has an environmental impact.

The Bill seeks to define sustainability not just in environmental terms, but in social and economic terms. The definition is so broad that it makes the Bill completely unworkable. I am concerned that duty (d) in clause 3 includes a requirement not just to protect the landscape, but to "enhance" it. I am not clear why that is necessary.

Alongside that definition, there is no mention whatever of the economic aspects of sustainability. We need farmers to make a profit and to be consistently profitable. It is surely essential to the sustainability of the livestock industry that farmers be economically viable, and at the very least the reference in clause 3, duty (e), to

"the resilience of farming communities"

should be redrafted to include that critical point.

Joseph Johnson: Profit is important, but it cannot be the sole determinant of Government farming policy. I should prefer my hon. Friend to give some consideration to biodiversity. At our current rate, half of all existing species on the planet will be eliminated within 50 years, and if we continue down that track we will be moving to a world in which there are farmers, cows, people and not much else. I am sure that my constituents in Orpington, which gave the world Charles Darwin, the father of evolutionary biology, do not want that to happen.

Mr Nuttall: I agree, and I am not suggesting that economics should be the only criterion by which farming is judged. There is clearly an environmental responsibility on farmers, and they would be the first to accept that.

[Mr Nuttall]

Indeed, the coalition programme for government, which was mentioned earlier, refers to the need to promote biodiversity.

Clause 3, which is entitled "Interpretation", also contains a definition of "livestock". One might have thought that, in view of the fact that much more obscure terms have not been defined, "livestock" was a fairly straightforward term that need hardly be mentioned. However, according to, and for the purposes of, this Bill,

"'livestock' includes any creature kept for the production of food, wool or skins, or for the purposes of its use in the farming of land or the carrying on in relation to land of any agricultural activity."

As we would expect, it covers all the usual farm animals—cattle, sheep, pigs, goats, chickens and so on. However, the definition is much wider than that; the words

"use in the farming of land"

would include the trusty sheepdog. Would it also cover the farm cat busy catching the mice?

Clause 1(2) sets out everything that the Secretary of State must do to be able to demonstrate compliance with the duty in subsection (1). It requires the Secretary of State, when deciding how to carry out that duty, to

"give consideration to...supporting sustainable practices and consumption through public procurement of livestock produce...providing appropriate public information and food labelling...supporting research into sustainable livestock practices...reducing the amount of, and finding sustainable methods for use or disposal of, food waste...changing the subsidies available to and support for farmers to promote sustainable livestock practices, and...the effectiveness of existing programmes aimed at improving the sustainability of the livestock industry, and action that could be taken to increase their effectiveness."

I should point out that, although the Bill contains a definition of what is meant by the scope of the phrase

"sustainability of the livestock industry",

in so far as it relates to the duty under clause 1(1), no such explanation or definition is given in relation to the references to "sustainable" in paragraphs (2)(a), (c) and (e). It seems to me that a crucial part of the Bill is therefore open to challenge.

Clause 1(3) states that

"The Secretary of State must ensure that policies in relation to negotiations and other activities at international level, including at the European Union, are consistent with sections 1(1) and 1(2)."

It is not enough that Secretaries of State should have to devise a series of policies to try to meet the wide demands of the Bill in this country; they will also have to ensure that, with their ministerial colleagues, they try to persuade the other 26 nations that make up the European Union—and, during international negotiations, persuade other countries in the rest of the world—to adopt all the detailed duties set out in clause 1(1) and (2); effectively, they will have to try to impose the duty imposed on them on the rest of Europe and the world. I am sure that any Secretary of State would look forward to that little task with unbridled enthusiasm.

It is fair and reasonable to assume that the only way in which any Secretary of State could have any hope of showing compliance with all these duties would be to impose ream upon ream of new rules and regulations—not only on farmers, but on food manufacturers and packagers.

Michael Ellis: My hon. Friend is being extremely generous in giving way.

On the subject of legislation and the volume thereof, is it not right to say that Governments have proved very capable, especially in the last several years, of analysing and assessing the challenges of a more sustainable farming sector without the need for legislation? For example, is my hon. Friend aware that no fewer than 11—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order.

Michael Ellis: Forgive me.

Mr Deputy Speaker: Order. The hon. Gentleman should face the Chair when he is speaking. Interventions should be short.

Michael Ellis: Thank you, Mr Deputy Speaker. There have been 11 reports or initiatives on food, climate change and the environment in the past nine years, and all have been instigated and conducted without the need for legislation.

Mr Nuttall: My hon. Friend makes a very valid point. It is worth noting that the Labour party had 13 years in government to legislate in the manner that the Bill suggests. It chose not to do so. As my hon. Friend says, there were a number of initiatives to try to meet the Bill's objectives.

It seems reasonable to assume that the only way in which the Secretary of State can ever hope to comply with all her duties would be to impose new rules on food manufacturers and packagers. In fact, clause 1(4) places on the Secretary of State

"a duty to ensure that the steps taken in accordance with this Act do not lead to an increase in the proportion of meat consumed in the United Kingdom which is imported."

I see why such a provision is considered necessary; subsection (4) gives the game away. It is clear from it that those promoting the Bill fully realise that its effect will be to increase the burden of regulation and red tape on Britain's farmers. In turn, the cost of British meat will increase and inevitably lead to an increase in imports. In what I submit would be a futile attempt to stop that happening, the Bill attempts to legislate to prevent market forces from working.

Ian Paisley: Does the hon. Gentleman accept that a YouGov survey has demonstrated that 80% of consumers would buy cheaper meat regardless of whether its production had involved fewer CO_2 emissions? Therefore, because of the point that the hon. Gentleman is making, it is impossible for the Secretary of State to prevent the influx of cheap meat. The demand would be there. The motive of the person promoting the Bill may be fine and good, but the Bill will not do what it says on the tin. It will inflict on our industry a huge increase in foreign, cheap meat from Brazil.

Mr Deputy Speaker: Order. Interventions should be short and stick to the point of the Bill.

Mr Nuttall: There is a danger that the Bill will do exactly that, because the more well-off members of our society will be able to afford to pay the premium, while

the vast majority—ordinary, working-class members of our society—will simply be prohibited from purchasing higher-priced organic goods.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I share the hon. Gentleman's concern about the burden of regulation on our farmers, but would he agree that one of the biggest challenges that our livestock farmers face is cheap imports from south America, which are gaining a competitive advantage over our producers because of the erosion of human rights and the use of environmentally destructive farming practices? Surely a more ethical, sustainable approach to procurement is one way to ensure that the high-quality produce of our farmers reaches the market on a level playing field.

Mr Nuttall: The hon. Lady makes a valid point. We should be concerned about standards of meat production in other parts of the world. It would be nice to think that we could eventually bring farmers in all countries in the world up to the quality and animal welfare standards that we enjoy in this country. I submit, however, that there are ways of doing that other than through the Bill. There is no reason, for example, why the persuasion at international level could not take place without any legislation being passed. I am sure—no doubt the Minister will confirm this—that that will already take place, regardless of any extra legislation.

Clause 1(4) gives the game away. If, by some remarkable mix of policy initiative, the aims of clause 1 were somehow to be achieved, the net result would mean nothing less than a massive reduction in the level of meat consumption in the United Kingdom. Right hon. and hon. Members must be in no doubt that this Bill will have the effect of forcing millions of Britons into becoming not just vegetarians, but vegans. I should stress that I have nothing against anyone who chooses not to eat meat; I myself often choose to eat meals without any meat in them. [Hon. Members: "Shame!"] I have to—I cannot afford to pay for it. However, I submit that that it is not the role of Government to dictate what people eat.

I must make it clear that I fully support all the farmers engaged in organic farming, and I entirely agree that traditional methods of farming are to be applauded and encouraged, but that is not an appropriate matter for this House to legislate on. It is much better that farmers be encouraged to adopt more organic and, as the Bill says, sustainable methods of farming as a result of public pressure and genuine market forces than to try to force them down this route with yet another mountain of red tape.

Let me return to the specifics of the Bill. Not content with imposing a duty and setting out six separate policy areas to which the Secretary of State must give consideration, the Bill also contains, in clause 1(5), a long list of topics on which the Secretary of State must find experts and then consult them. The Secretary of State must

"consult...organisations and persons"

who

"have expertise on—

(a) livestock farming, relevant technologies and the production and processing of livestock produce,

(b) the production of feed and chemicals used in livestock farming,

(c) food retailing, the food service sector and the relevant supply chains,

(d) the environmental impacts of the livestock industry, particularly those relating to climate change and biodiversity,

(e) the health impacts of livestock farming and the consumption of livestock produce,

(f) consumer attitudes and behaviour,

(g) animal health and welfare,

(h) minimising and disposing of food waste",

and finally, although it is rather difficult to imagine what other areas could possibly be added to such a wide list,

"(i) any other subject considered relevant by the Secretary of State."

It is clear that the matters to be considered wander far away from the simple title of the Bill, "Sustainable Livestock". I particularly note that although the Secretary of State is required to consult persons or organisations who are experts in the effect on our health of eating livestock and livestock products, the term "health impacts" does not appear in the definition of what constitutes a relevant factor in determining

"the sustainability of the livestock industry"

as referred to in clause 3. The Secretary of State is therefore required to consult people on matters about which the Bill itself submits it has nothing to do with.

As right hon. and hon. Members may be aware, the Bill appears to be supported by a dazzling and wide-ranging array of bodies, such as Friends of the Earth and the Royal Society for the Protection of Birds—I declare an interest, as I am a member of that august charity.

Michael Ellis: Who would pay for all these experts, and how much would they be paid?

Mr Nuttall: My hon. Friend makes a point that I shall raise shortly, because the Bill is silent on that.

The list of bodies that support the Bill also includes the National Trust, the Campaign to Protect Rural England, the Campaign for Real Farming, Compassion in World Farming, War on Want, the World Wildlife Fund, the Grasslands Trust, and even the Guild of Food Writers, to name but a few.

One may well ask why the Bill attracts such wide support. The reason, I submit, is that they all intend to use it to achieve their own particular campaigning ends. The Bill might, on the face of it, appear to be simply about sustaining livestock, but all those diverse organisations see it as a means of forcing Government to carry out the policies that they would wish to see implemented. The House will have noted that unusually for a Bill, it does not contain any specific policies. It does, I accept, set out what might be called a policy aspiration, but there are no specifics as to what Government are expected to do. We can only speculate on what such policies might entail. Indeed, some may venture that the reason specific policies are not contained in the Bill is that they would be so unpopular that they would engender yet more opposition to it.

One clue is contained in the postcard campaign organised by Friends of the Earth which is headed "Join the Moovement", with the strapline,

"Put your hoof down for planet-friendly farming".

[Mr Nuttall]

The covering letter sent to Members with the postcard states:

"The Bill calls on Government to produce a strategy that assesses the impacts the livestock sector has on the environment, sets out the policy changes needed to reduce them, ensures problems are not simply moved overseas, and supports a sustainable and thriving UK farming industry."

Having read the Bill, I cannot see where the word "strategy" appears at all, and nowhere are any policy changes set out. I am not sure whether the promoter and sponsors of the Bill had considered the coalition Government's "Programme for Government" document, but if they had, they would have found a series of policies—real policies—that seem to cover many of the areas of concern mentioned in the Bill. For example, on page 17 there is a commitment to introduce measures to protect wildlife, halt the loss of habitats and restore biodiversity. There is a commitment to working towards a "zero waste economy", and on page 18 there is a commitment to promote high standards of farm animal welfare.

I submit that the reason none of these policies is sufficient is that the promoter and many of the supporters of the Bill would like to see the United Kingdom go much further. I entirely accept that these interest groups represent areas of concern for many people, but I wonder whether it is appropriate for what is, by any assessment, a minority of people to use this Bill as a Trojan horse eventually to force others to accept the diet that they themselves have chosen to adopt.

Zac Goldsmith (Richmond Park) (Con): Given what has been said about the Bill by a number of Members, including my hon. Friend, does he acknowledge that it has, in fact, had support from a very wide range of farming organisations that have not been named? They include Farm, the Family Farmers Association, the Small Farms Association, the Rare Breeds Survival Trust, the Soil Association and the National Trust—which, I accept, is not a farming organisation, but it has an interest.

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. Interventions must be short and contain a question.

Zac Goldsmith: Thank you, Mr Deputy Speaker.

I would like an acknowledgement that not only environmental groups but very many farmers organisations are enthusiastically backing this Bill and supporting it all the way.

Mr Nuttall: My hon. Friend reads out that list, and I accept that those organisations no doubt support the Bill. However, I wonder what they have been told the Bill seeks to do, because I suspect that if they had actually looked at it they might have been somewhat surprised by its content. It is probably easier to get people to say that they support a Bill if one tells them that it is going to do something that perhaps it is not going to do.

Of course, the one group who will be more directly affected by the Bill than any other is our nation's farmers. It is worth noting what the president of the National Farmers Union has said about it. In a press release issued the day after it had been published, he said:

"First and foremost, this Bill represents policy aspiration, not law.

I believe the UK government, present or future, should be free to develop its policy on the sustainability of the food and farming sector, working in partnership with industry and other interested organisations, as it sees fit. While the aspirations of this Bill are admirable, they are unsuited to legislation.

I remain convinced there are better ways of improving farming's environmental impact, primarily by seeing through the voluntary and industry-led initiatives that are already underway rather than by adding further burdensome regulation."

As far as I can see, and as we have heard this morning, one of the primary reasons why the Bill has been introduced is the belief of some that farmers in this country are too reliant on feeding their livestock with animal feed based on soya imported from abroad. I appreciate that there is concern about the destruction of the south American rain forest for the purpose of growing soya crops, but that problem is already being dealt with. Farmers have taken steps to encourage the sustainable production of soya in Brazil through the feed materials assurance scheme, or FEMAS. The UK imported 2.2 million tonnes of soya in 2009, mostly from south America, although it should be noted that not all of it was used in animal feed. Some was used in consumer foods such as vegetable oil. Already, about 1 million tonnes of UK imports from Brazil are certified under the FEMAS production module, which not only covers deforestation but ensures compliance with social legislation.

Soya is an important source of protein for livestock production in the UK, although its exact share of the livestock diet varies from as low as 3% for ruminants, through to 10% for pigs and up to 30% for broilers. Those involved in the farming industry have already agreed that the supply of responsibly sourced soya should be expanded by supporting schemes that can properly certify it as having been grown in compliance with sustainable principles, including environmental responsibility, responsible labour conditions and good agricultural practice.

Just in case clause 1 would not generate enough red tape, clause 2 would impose yet another duty on the Secretary of State—a duty to publish targets and report regularly on what progress had been made in achieving them. Subsection (1) would force the Secretary of State to publish the steps that were to be taken to show compliance with clause 1, including a set of indicators showing how progress would be measured. I would not like to venture a view as to whether an indicator is the same as a milestone, or even an horizon, but whatever they are, subsection (2) would require the Secretary of State, having published them, also to publish and update information about what progress has actually been made in meeting those targets. Those progress reports must include an explanation of the actual measures taken to achieve progress, and a comparison against the indicators. It sounds like a civil servant's dream—new plans, new targets, more indicators, more progress reports.

If all that were not enough to keep the Secretary of State on track, there is a specific requirement in clause 2(4) for an "overall review of progress" to be published every two years. Fortunately, for the sake of all those rain forests that the Bill is intended to protect, subsection (5)

specifically allows that the plethora of indicators, progress reports, updates, explanations, comparisons and reviews may be in electronic or hard-copy form. I sincerely hope that they would appear only in electronic form.

It seems reasonable to assume that having gone to such great lengths to spell out the duties and obligations on the Secretary of State, the Bill should contain some pretty blood-curdling consequences for failure to comply with its provisions. In fact, it is completely silent in that regard. Not a single sanction. There are no sanctions, no remedies, nothing. I could suggest that that is because the Bill contains so many vague terms and contentious definitions that any sanction would be effectively unenforceable.

I believe that the view of those who support the Bill is that remedy would be by way of judicial review. I can see the lawyers rubbing their hands with glee already. Day upon day would be spent in the High Court determining what actually constituted research into sustainable livestock practices, or perhaps whether the explanation provided under clause 2(3) was comprehensive enough. The list of potential areas of litigation would, I submit, be virtually endless. I argue that the Bill, which fails to include any remedy or sanction, is bad law. Surely it is the task of this House, and of their lordships in the other place, to determine the appropriate remedy for failure to comply with a law that we put on the statute book. We should not simply leave it up to the courts.

As was mentioned, perhaps one of the most worrying aspects of the Bill is the effect that it would have on public expenditure. As the House will note, it places onerous duties on the Secretary of State to consider numerous matters covering not only every aspect of farming but other matters. They include the provision of public information, food labelling, research, the reduction and disposal of food waste, and extending the nature of the negotiations that we carry on with other countries. It also includes a duty to consult a very wide range of expert individuals and organisations, not just on those matters but on others such as food retailing, the production of animal foodstuffs, climate change, biodiversity, the effects on human health of eating produce from livestock and animal health and welfare. Then, as we have just heard, there are all the progress reports that the Secretary of State must prepare and publish.

There can be no doubt at all that those tasks will be very time-consuming, and time costs money. The need to engage expert consultants in at least seven different areas will not be cheap, and it is fair and reasonable to assume that those experts will charge for the benefit of providing their expert opinion. Even if they all provided a lot of free advice, a raft of new civil servants would be required to meet the new obligations.

Nowhere in the explanatory notes is there any assessment of what all that will cost. Exactly what is the assessment of how many new staff will be needed? What will be the start-up costs to establish the new regulatory framework? What will be the cost of providing new offices and equipment? All that at a time when the Government are trying to reduce the level of bureaucracy and administration.

Mr Chope: My hon. Friend is probably about to come on to this, but clause 4, on financial provisions, basically provides for a blank cheque to be given by the taxpayer for all the costs arising from the Bill, not to mention the costs that will fall not on the taxpayer but on consumers.

Mr Nuttall: My hon. Friend is absolutely right. Clause 4 makes provision for the costs of the Bill to be met by Parliament, but as I said, there is no indication of what those costs are. If we pass the Bill, we will effectively sign a blank cheque. I would be interested to know what discussions, if any, the promoter of the Bill has had with Her Majesty's Treasury about whether any funds are available to meet the wide-ranging list of new obligations to be imposed on the Secretary of State.

Before I move on to my conclusion, I should add that the Bill covers only England and Wales, and does not extend to Scotland or Northern Ireland. It will be for the devolved Administrations to deal with the matter in those areas.

Mr Chope: My hon. Friend mentioned the fact that the interpretation clause refers to

"the United Kingdom and overseas",

but he also said that the Bill applies only to England and Wales. Is there not some inconsistency there? How will the Bill be able to deal with issues in Scotland and Northern Ireland if it applies only to England and Wales?

Mr Nuttall: My hon. Friend raises an interesting point, which I must admit I had not noted. It is indeed remarkable that the Bill refers at a number of points to the United Kingdom as the area that the Secretary of State must consider. Clause 1(4) refers to the

"meat consumed in the United Kingdom".

Clause 3(b) refers to the need to

"prevent biodiversity loss in the United Kingdom".

Clause 3(a) refers to the need to

"address climate change in the United Kingdom".

If one is to believe clause 5, all of that would be outside the scope of the Bill to a large extent. There is a clearly a problem, and I would be interested to hear how the Bill's promoter expects it to be dealt with.

In conclusion, I submit that the Bill is at best premature.

Michael Ellis: I presume that my hon. Friend is moving to the concluding parts of the first stage of his address, but before he does, will he deal with one point? My hon. Friend the Member for Romford (Andrew Rosindell) is not in his place, but could the geographical issues that my hon. Friend the Member for Bury North (Mr Nuttall) has just raised possibly apply to overseas territories, given the lack of a clear definition in the Bill? That could create further confusion. Is it not also appropriate at this juncture to point out—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. One point is enough, and I am sure Gibraltar will not be affected.

Mr Nuttall: My hon. Friend raises an interesting point. The Bill requires the Secretary of State to ensure that these policies are consistent at an international level. One would think that the first place to start would be our overseas territories, and I am sure that my hon. Friend the Member for Romford (Andrew Rosindell)

[Mr Nuttall]

would support that view and ensure that that is where we started, although whether the overseas territories would be that keen on having these burdens imposed on them is another matter.

Jacob Rees-Mogg: Has my hon. Friend, with the help of my hon. Friend the Member for Christchurch (Mr Chope), not pointed out the total flaw in the Bill? If we amend clause 1(4) so that it refers not to the United Kingdom, but to England and Wales, we would have to object to imports of meat into England and Wales from Scotland and Northern Ireland. Surely that would be bonkers.

Mr Nuttall: I thank my hon. Friend for that point. What he says would be clearly be the case. If we had to start distinguishing in the United Kingdom between the areas from which particular livestock products had come, that would indeed be a significant problem for not only farmers, but retailers, who would probably face a whole new raft of rules and regulations that would apply only to meat produced in Scotland. Perhaps we would need to consider that issue separately.

The Bill is at best premature. I set out a list of issues that the Government are already looking at, and the Bill may even be unnecessary in the light of the work that has already been undertaken by those engaged in farming and of the commitments that the coalition Government have made. There is no doubt that the Bill will significantly increase the bureaucratic burden on the Secretary of State. If the Secretary of State is to avoid constant threats of judicial review, there will be no alternative but for him or her to impose yet more burdens on our already struggling farmers.

I acknowledge that the Bill's promoter and supporters are all well meaning, and it is indeed a laudable aim to have livestock eating entirely home-grown food in the green fields and natural pastures of England. My fear is that the Bill and the additional rules and regulations that will inevitably result from it will drive food production overseas. UK farmers will be put at a competitive disadvantage, and the only winners will be our foreign competitors. For all those reasons, I urge the House to oppose the Bill.

11.15 am

Ian Paisley (North Antrim) (DUP): I congratulate the hon. Member for Stoke-on-Trent South (Robert Flello) on being so successful in the ballot and on bringing the Bill before the House. As he knows from my interventions and from a private conversation, I am not entirely in favour of his Bill, but I do congratulate him on securing this debate. It is important because it has brought the issue of agriculture back to the House and given us the opportunity to have an important discussion about where we want one of our most important producing industries—indeed, our critical producing industry—to go. This industry puts food in the bellies of our people and will determine the health of our nation, and this is an important debate for those reasons.

One of the best things that we do as a country—whether in England, Scotland, Wales or Northern Ireland—is produce high-quality, traceable, nutritious food that is also profitable. We should be proud of that fact. We should encourage the industry and do everything we can not only to sustain it but to develop it and to ensure that the food that is produced in this nation is some of the best in the world and, indeed, the envy of the world.

We, and indeed the Minister and the Government, face a real challenge in ensuring that that happens, because there are many pressures on our food producers and farmers. We should do all we can to promote their livelihood and their industry. We should not succumb to siren calls to change our practices unless we are utterly convinced that those changes will perfect and develop further an industry that is crucial to our people.

We need to put into perspective some of the points that have been made about our industry. The livestock sector—beef, dairy, pig, poultry and sheep production—contributed £2.3 billion to agri-food output in Northern Ireland in the last year for which figures were available. Of that, approximately 72%, or almost £1.65 billion, was sold outside Northern Ireland. That means that we run a very successful export industry, and it is called the food industry.

We should be careful about doing anything that changes the careful balance in our marketplace. The Bill could affect that balance detrimentally. I do not believe that that is the intention of its promoter, but it could be the effect. We should remember that more than 20,000 people are directly employed in the agri-food sector in Northern Ireland alone. Tens of thousands more are employed across the rest of the United Kingdom.

What are the devolved Government of Northern Ireland and, by extension, the other devolved Governments across the United Kingdom doing to ensure that we address some of the matters that have been brought before us as a result of the Bill's trajectory? The Climate Change Act 2008 is already in place, and action is being taken. Indeed, the Northern Ireland Programme for Government has a target for a 25% reduction in greenhouse gas emissions in all sectors in the next 15 years.

Martin Horwood: The hon. Gentleman may not know that the Climate Change Act relates to emissions in this country and cannot possibly make any impact on, for example, deforestation in Argentina and Brazil. This Bill is designed to do that.

Ian Paisley: I accept that point and I will discuss it when I deal with that aspect of the Bill, which, I believe, reflects the promoter's gut instinct.

Our stakeholder group in the Department of Agriculture and Rural Development was formed at the end of July last year and wishes to consider how best to reduce greenhouse gases in the agricultural sector in Northern Ireland while remaining competitive in the marketplace. Our devolved Government have already taken several steps to address the issue, and I know that that also applies to the other devolved regions and to central Government in Westminster.

Do we need more legislation? Parliaments have a propensity to legislate when there is no need to do so. We should be careful not to load more bureaucracy—legislation for legislation's sake—on to industry and the production of food. That is a key reason for my opposition to the Bill.

Given that work is already under way genuinely to address the problems, there should be no need for more legislative interventionism. Indeed, it would create additional

bureaucracy and be less effective in delivering the necessary meaningful improvements and have an adverse impact on the agri-food industry.

There are three tests that the Bill must pass. The first is the economic sustainability test, which I believe it Bill fails. As I said, about £20 billion-worth of food is produced in the United Kingdom, and the Bill would force the Government to try to compel the new, ongoing common agricultural policy negotiations to change the subsidy rules so that every hectare of farm land in the United Kingdom would have to receive an increase in subsidy of between £100 and £200. For the life of me, I do not see the current European Union increasing food and farm subsidy in the current CAP negotiations. I wish that it would; it is not a realistic prospect, yet that needs to happen for the Bill to be effective. It will not happen in 2013, and we would therefore be arguing for something that is detrimental to the economy.

Production-limited support is contrary to World Trade Organisation regulations. If something is contrary to the CAP and WTO regulations, the likelihood of our getting an increase in the subsidy is small. The cost for farmers of having to purchase in a particular way in order to produce in a more carbon-efficient way would mean an additional burden and would be detrimental to the industry. Ultimately, who will lose? The farmer will put his hand in his pocket again and spend the money, but you, Mr Hoyle, I and the consumer will lose, because food prices will go up. Instead of good-quality, traceable food at a reasonable price, we will have more expensive food. The consumer will ultimately lose out.

What will the consumers do? They will do what all the polls tell us: they will buy not the high-quality food that is produced in the United Kingdom but the cheap, imported food, which will flood into the United Kingdom, further damaging our agricultural sector. In the past few years, we have fought against cheap meat from Brazil. If it is made even more accessible to our markets, when our consumers go to Tesco, Sainsbury's and Asda, they will fill their trolleys with cheap Brazilian imports. Why? Because they are cheaper, and that is what will drive the consumer. We should realise that. I do not agree with the hon. Member for Bury North (Mr Nuttall) that such prices will make us want to become vegetarians or vegans; they will just make us want to buy cheaper food. That is a genuine downside to the Bill, so it fails the economic test.

The Bill also fails the social test. My constituency is made up of lowland and hill farming, and there is a certain shape and scope to our land. A previous contributor described it as God-given beauty. It has been shaped by the grazing habits that farmers have introduced. Under the Bill, that would change. It will become more expensive to graze our animals on the uplands because it will be more expensive to import the food for them. The shape of our land would therefore change dramatically, so the social impact would not be as effective as the Bill suggests.

The Bill also fails the environmental test. It would use the sledgehammer of environmental protectionism to crack a nut. The entire UK agriculture industry is responsible for only 7% of our greenhouse gas emissions, and our emissions have already fallen by 21% since 1990.

John F. Kennedy memorably said:

"The great enemy of the truth is very often not the lie... but the myth, persistent, persuasive and unrealistic."

We have heard some myths today which should be debunked. The Bill has an admirable aim to stop deforestation, but it will not do that. The House could pass the measure and say, "We want to stop deforestation," but the Bill will contribute nothing to that aim. Indeed, its very publication contributes to deforestation because it needs paper. We must recognise the myth.

Another myth is that livestock will be raised indoors—that we will drive through our land and see great big silos and sheds where our livestock is raised. However, when I drive through my constituency, I see cattle and sheep in the fields.

Kerry McCarthy (Bristol East) (Lab): Does the hon. Gentleman know that there is currently a planning application for a dairy farm in Lincolnshire, which will have more than 8,000 cows indoors practically throughout the year? There is also an application in Derbyshire for a pig farm that will host about 26,000 pigs. That is the direction in which the UK agricultural sector is moving. It is similar to what happens in some parts of eastern Europe and in America. That is a fact.

Ian Paisley: I accept that those two applications have been made—two applications in a massive industry. The planning service has the ability to restrict and reduce those plans if it considers them detrimental to the countryside. It is a myth that all farming will take place indoors. That cannot happen—milk cannot be obtained from cattle that are raised indoors.

Kerry McCarthy: I am interested in the Minister's response to that point, because when I criticised the move towards raising cows indoors, he told me recently at Department for Environment, Food and Rural Affairs questions that I needed to go away and learn something more about dairy farming.

Ian Paisley: The hon. Lady can take that up with the Minister if she wishes. However, it is unrealistic to claim that, as we drive from the north of Scotland to the south of Devon, all that we will see in our countryside are huge sheds, inside which are animals that will never see the light of day. That is preposterous. It will not happen. It is a scare tactic that undermines the promoter's good intention.

Simon Hart: Does the hon. Gentleman agree that milking dairy cows is only one part of the dairy industry? Farmers also have calves and young stock, and produce beef—

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. We are in danger of going into a general debate. This is not a general debate—we must stick to the Bill.

Ian Paisley: Thank you, Mr Deputy Speaker. We should get back to the point made by the Minister: the Bill will not affect cattle; it will have more of an effect on poultry and pig production.

In my constituency, there are 8,000 poultry producers. Those 8,000 farmers must raise poultry to compete efficiently and effectively with Brazil and other world producers. We export a lot of the poultry to the rest of the United Kingdom and across Europe. Indeed, most of the poultry that hon. Members eat—if they buy it in

[Ian Paisley]

Marks and Spencer or Tesco—has been raised in my constituency, which is why it is so incredibly tasty. I encourage people to continue to buy it. By buying Moy Park and O'Kane Poultry produce, people are giving a vote of confidence to our local farming traditions. We should be proud of what we purchase and raise on our farms, and recognise that that productivity encourages and sustains jobs in the agri sector. Surely that is in all our interests. If we tamper with that and accept the myth that we are going to save a rain forest, we will lose jobs and end up buying poultry that is in fact produced in places where rain forests have been cleared—in other words, Brazil. That the Bill will stop the import of Brazilian-produced poultry or beef is a myth.

Another myth is that we require this legislation. We do not. It is in the interests of farming to be sustainable and to produce nutritional, clean and traceable food and to convince consumers across the United Kingdom and Europe of that. We therefore do not require legislation, because a good businessman—at the end of the day, farmers are good businessmen—will want to appeal to the marketplace, and the market wants good, clean, traceable and nutritional food. I hope that that produce is also profitable for the farmer.

Yet another myth is that the Bill will do what it says on the tin. It will not. It will do none of the things it says it will do. We need to recognise that even if we endorse the Bill and encourage such legislation, it will not do what it is supposed to do, which is to help our industry.

Let me appeal to the House. We all have different interests, but our key interest is keeping our people in employment. Farming is a key employer in my constituency and my country, and we should encourage, support and sustain it. We should not do anything that would undermine it.

11.33 am

Tony Baldry (Banbury) (Con): At the outset of his commendable comments, the hon. Member for North Antrim (Ian Paisley) made the very important point that food and farming are too little debated in this House. I hope that the Backbench Business Committee will help to ensure that at least one day a year is devoted to a debate on food and farming.

I welcome the opportunity to take part in this debate for a number of reasons. I am the last surviving Ministry of Agriculture, Fisheries and Food Minister in the House of Commons. In the general election immediately preceding the Great Reform Act, the Conservative candidate for Banbury had a four-word election address: "God speed the plough." When I was first elected, Banbury had the largest cattle market in Europe. I am interested in this debate as a north Oxfordshire representative and former MAFF Minister, but I am also a former chair of the Select Committee on International Development and I was co-chair, with Lord Ewen Cameron, of the all-party group on agriculture and food for development.

How we ensure sustainable livestock is a complex issue, and I congratulate the hon. Member for Stoke-on-Trent South (Robert Flello) on introducing the Bill, which is clearly of interest to a large number of our constituents. I am not sure that we can do the topic justice collectively in the comparatively short period that we have for today's debate, or individually in the time that each of us realistically and reasonably has to speak.

I note that the Bill has the support of the Rare Breeds Survival Trust, of which I am a member. When I completed 25 years service in this House, my local constituency association presented me with two Gloucester old spot sows—affectionately named Hazel and Harriet—and I think that a paragraph in the RBST's summarises why a number of people involved in agriculture and farming believe that the Bill might be helpful:

> "The Rare Breeds Survival Trust is supporting this Bill because it calls for a strategic approach to livestock farming. The Bill would ensure that policies aimed at reducing the global impact of livestock production will give farmers in the UK an opportunity to maximise the use of extensive grazing systems, including using traditional breeds which will not only reduce our reliance on imported soy, but also greatly reduce the carbon footprint of livestock production, deliver benefits for wild life in the UK and support upland farmers who are protecting upland habitats and landscapes."

No hon. Members will have any quarrel with that aspiration, but the question is this: do we need more regulation and more legislation to achieve a strategic approach to livestock farming, or do we trust farmers to continue to seek to improve farming's environmental impact?

I note that coincidental with the Prime Minister's recent visit to China, we exported a large number of breeding sows to China—they were not Gloucester old spots, alas, but high-pedigree UK pigs. We should not forget during this debate that standards of animal husbandry in the UK are among the best in the world.

However, I should observe that I got the impression from some of the letters, e-mails and briefing papers that I received before the debate that the main motivation of some of the supporters of the hon. Gentleman's Bill is that they are either inclined to be anti-farmer or opposed to livestock farming as a concept. That is a pity. Such an approach is short sighted, because farmers here and elsewhere in the world have an important role to play in ensuring that we have the food that we need and that it is produced in such a way that we can pass on this planet to succeeding generations at least in a condition in which we would ourselves have hoped to have inherited it.

In that respect, there is a very real difficulty with the Bill. I get the impression that some supporters of the Bill seem to think that its provisions will achieve objectives that are not entirely clear. In e-mails that I have received, it has been suggested that those objectives include a ban on large dairies, an enforced reduction in meat and dairy in people's diets, and the setting up of trade barriers on imported animal feed. I assume that that follows from references in the Bill to the use of subsidies or grants to encourage or discourage the use of particular practices, methods, feeds and crops; the use of taxes or levies to encourage or discourage use of particular practices, methods, feeds and crops; and the use of public information campaigns to encourage or discourage particular consumer behaviour.

I get the clear impression that some people hope that the Bill will do things that it is not immediately clear will be achieved. However, the ambiguity of the provisions and the confusion of aspiration about what the Bill intends may well cause more confusion than constructive engagement.

We live in a world of rapidly growing population, and those people need to be fed. The population is also becoming increasingly urban. In a comparatively short time, more of the population of Africa will live in major cities than will live in the countryside. It is also important to recall that more than 200 million people in Africa—more than one in four of the continent's population—suffer chronic hunger.

I am glad that the Government have reaffirmed their commitment to the L'Aquila food security initiative, which was agreed at the G8 summit in 2009. The agreement aims to increase food production in developing countries, making food more affordable for the poorest and most vulnerable, create wealth and lift the poor out of poverty. Within the G20, the UK has committed to improving food security by making agricultural trade and markets function more effectively and reducing food price volatility, in order to protect those most vulnerable to food price increases, and I am glad to note that next year the UK Government will be publishing a major new foresight review of the future of farming and food, which will consider how the world can continue to feed itself sustainably and equitably over the next 40 years.

However, as my hon. Friend the Under-Secretary of State for International Development pertinently observed in a debate earlier this week on food security in Africa:

"Agriculture is a private sector activity"—

the point that the hon. Member for North Antrim made—

"whether it involves subsistence farmers, smallholders...or large-scale commercial farming. The bulk of the investment needed to ramp up productivity will come from the private sector: from farmers' own pockets, from banks and micro-credit agencies and from local and national investors."—[*Official Report*, 9 November 2010; Vol. 518, c. 62WH.]

We live in a world challenged by climate change—a world where ease and globalisation of transport means that it is possible to transmit human and infectious diseases globally within a very short time span. Climate change means that there is often increasing competition for resources. For example, to those of us who have witnessed at first-hand the tragedy of Darfur, it is clear that much of that tragedy happened as a consequence of the Sahara desert moving inexorably onwards from Chad into neighbouring Sudan, and resulting in a conflict for land between nomads who have traditionally driven their cattle across the country and farmers using land to grow crops.

I do not think there is any dispute that livestock production contributes to climate change by making greenhouse gases either directly, such as from enteric fermentation, or indirectly, from feed production activities or the consequences of deforestation that creates new pasture. However, I think we do need to put this in perspective. The Food and Agriculture Organisation has concluded that, taken together in a food chain approach, livestock contribute about 9% of total anthropogenic carbon dioxide emissions. However, that also means that the livestock sector has an enormous potential to contribute to climate change mitigation. That will clearly require research and development of new mitigating technology—technologies to mitigate greenhouse emissions and the improved ability to monitor, report and verify emissions from livestock production.

I think we need to reflect that livestock are very often key assets held by poor people, particularly in food-insecure systems. Livestock often fulfil a number of economic, social and risk management functions. Indeed, for many poor people the loss of their livestock assets means that they decline into chronic poverty, with long-term effects on their livelihoods. So while of course there is understandable concern about some livestock production becoming more intensified to exploit economies of scale along the supply chain and concern about livestock hotspots, such as Amazonian ranches, and a trend of deforestation to provide more land for cattle or land for soya to feed cattle, there are also trade-offs in the increased efficiency of production; but those trade-offs have to be set against the implications for natural resource use, and adding a small amount of animal-based foods to a predominantly plant-based diet can yield large improvements in maternal health and child development.

Livestock contribute 40% of the global value of agricultural output and support the livelihoods and food security of almost a billion people. Indeed, livestock provide food for at least 830 million food-insecure people and in many developing countries livestock are a valuable asset, serving as a store of wealth, collateral for credit and an essential safety net during times of crisis, with outputs making a sizeable contribution to cash income.

We also need to recall that livestock are very often central to a mixed farming system. They consume waste products from crop and food production. Livestock help to control insects and weeds. They produce manure for fertilising fields and they provide draught power for ploughing and transport. I have a vivid recollection of seeing farmers in the highlands of Ethiopia using draught cattle to pull their ploughs to give them strength to enable them to use fairly basic wooden ploughs to plough very rocky marginal land. And, of course, livestock produce milk.

At the global level, livestock contribute some 15% of total food energy and 25% of dietary protein, and indeed products from livestock provide essential nutrients that are not easily obtained from plant-based foods. So although I appreciate that there are many people who for ethical reasons do not wish to eat meat, and although those who wish to be vegetarian or vegan must of course be free to do so—I have two vegetarians and a vegan in my close family—I think it is wholly unrealistic for those who have an instinctive, ethical or intellectual opposition to livestock production to think that the world is going to abandon cattle, goat, pig or poultry production.

We have to maximise the sustainable benefits of livestock production and minimise the risks, as far as possible, and the damage that some livestock production is doing to the planet. Reducing the risks, of course, also means reducing the risks to animal and human health. I do not wish to be alarmist, but the World Organisation for Animal Health estimates that 70% of all newly emerging infectious human diseases originate in animals. At least half of the known causes of infectious diseases in humans have a reservoir in animals, and about three quarters of new diseases that have affected humans over the past 10 years are caused by pathogens originating from products of animal origin.

It is in all our interests that there should be a sustained investment in developing countries to reduce the risk to human health, and we need to think how we might

[Tony Baldry]

enhance the capacity of poorer countries to participate in the design of better animal health and food safety standards, although I think we should always recall that it is always the poor who are at the greatest risk here. Poor people are more likely to be chronically affected by health problems that have been caused by contact with sick animals, such as brucellosis or internal parasites, and for many of the poorest families livestock disease is particularly damaging because it threatens the very asset that they use for dealing with other crises.

Mr Nuttall: On that point about poorer people being adversely affected, I think there is a real risk inherent in the Bill. Does my hon. Friend agree that because the Bill could increase the cost of meat, poorer people might have a worse diet?

Tony Baldry: The hon. Member for North Antrim raised the very sound point that if the Bill becomes law, it may well have an effect that we have seen all too often: if one creates perversities in the UK agricultural marketplace, very often it simply results in our importing foodstuffs that have been produced in parts of the world that do not have our animal welfare standards.

We need to work with farmers and agriculture Ministers in developing countries to enhance their capacity to meet the human risks associated with livestock diseases. The most serious health threat is that of a human pandemic, and that was recently highlighted by the outbreak of a new strain of influenza A—H1N1—which contains genetic material from human, swine and poultry viruses. So it is fully understandable at a time of growing population pressure and growing urbanisation that the production of livestock, particularly pigs and poultry, is becoming more intensive, more geographically concentrated, more vertically integrated and more linked with global supply chains. But all that also has risks and what we need to be doing is maximising the potential for livestock to contribute to poverty alleviation and minimising the risks. We also need to improve food security, increase the sustainability of natural resource use and improve efforts to manage animal diseases.

I do not think that anyone challenges the need for the livestock sector to improve its environmental performance; this is about how to use resources more efficiently and how to capture the waste that livestock generate and turn it into resources. What we need, so far as is possible, is what economists would describe as producers and consumers internalising both the positive and negative factors generated by the livestock sector, so that producers and consumers pay the real price of the impacts of livestock production on natural resources and the environment and we do not steal land from, and degrade land for, future generations.

I do not believe anyone would challenge the concept that the livestock sector should seek to ensure its development is as environmentally sustainable as possible. That will require investment in agricultural research and appropriate actions along the food chain. What we are seeking to achieve is not that we campaign against farmers or producers but that we have a sustainable livestock industry, both in this country, and elsewhere in Europe and the world. But that gives rise to the question: do we need primary legislation to achieve such outcomes?

In effect, what the Bill's supporters are saying is that Ministers in the Department for Environment, Food and Rural Affairs should come forward with a Government-drafted and Government-devised regulatory framework to impose on the UK livestock sector. I have to say to my colleagues, particularly those on the Government Benches, that it would be considered very strange at a time when we are, in general, seeking to reduce red tape, to deregulate and, wherever possible, to reduce the burden of regulation, if we were to seek, by primary legislation, to set up a maximalist regulatory framework for Ministers to seek to regulate every livestock farmer in the United Kingdom. I suspect that if this Bill were to get into Committee, the contradictions inherent within its wording would become more apparent the more one considered it line by line and clause by clause.

The previous Government became increasingly disingenuous on private Members' Bills to which they may have been opposed—supporting or allowing them through on Second Reading and then seeking, in effect, to talk them out on Report and Third Reading. That was disingenuous, because if one does not support a Bill, one should not vote for it on Second Reading. I do not think that Members of Parliament collectively would support the introduction of a wholesale new regulatory regime at the moment for any other sector of UK business or commercial activity, so why would they support one for farming and agriculture?

I wish to make another point about the Bill and today's debate. The Bill is a piece of a primary legislation that has been presented to the House and it contains five clauses. The hon. Member for Stoke-on-Trent South (Robert Flello), who introduced it, spoke for just 10 minutes in support of it. The Bill lists 10 sponsors, but with three honourable exceptions—my hon. Friends the Members for Cheltenham (Martin Horwood), for Crawley (Henry Smith) and for Richmond Park (Zac Goldsmith)—none has been present during the course of this debate. The hon. Member for Brighton, Pavilion (Caroline Lucas) put in a fleeting appearance at the start of the debate and then disappeared, but not a sign has been seen of the other sponsors: the hon. Member for St Ives (Andrew George); my hon. Friend the Member for Kettering
(Mr Hollobone); the right hon. Members for Cardiff South and Penarth (Alun Michael), for Salford and Eccles (Hazel Blears) and for Oldham West and Royton (Mr Meacher); and my hon. Friend the Member for Worthing West (Peter Bottomley). A fundamental principle is involved here, because if those who sponsor a private Members' Bill do not even consider it worth while to attend and speak during the debate in support of the Bill and its promoter feels able to speak for only 10 minutes in support of it, that gives very little confidence to the rest of the House that the Bill should be supported in the Lobby.

However, I also think that today's debate, and a number of the interventions made during it, send a very clear message to UK farmers and the farming industry that they have to do a lot more to explain what they are doing with initiatives such as the greenhouse gas action plan, the beef and sheep road map, and the encouragement of sustainable soya production in Brazil and elsewhere. I am sure that farmers are, and want to be, part of the solution. Today's debate shows that in the minds of all too many, present-day agriculture is part of the problem, and only farmers and the farming community can

demonstrate that they are genuinely committed to responsible animal husbandry and sustainable livestock production.

11.54 am

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): May I apologise for chancing my arm with my earlier intervention, Mr Deputy Speaker? I shall have to find another opportunity, when you are not looking, to make the same point.

Let me join in the general feeling in the House by congratulating the hon. Member for Stoke-on-Trent South (Robert Flello) on introducing the Bill and the debate. It is always good to have a lengthy debate in the House about rural affairs, particularly in quite measured conditions. I should start by declaring a bit of an interest because in the 10 years before my election to the House I was involved in the largest European group with an interest in rural affairs—the ever-excellent Countryside Alliance. I mention that because this issue is all about people, and Members of this Parliament and others sometimes forget that there is always a consequence for communities, individuals and jobs, as the hon. Member for North Antrim (Ian Paisley) accurately stated. I shall restrict my comments to those issues and I hope that the House will forgive me for not going into quite as much detail as my hon. Friend the Member for Bury North (Mr Nuttall) did in dealing with different aspects of the Bill.

I want to start by bigging up our farmers because in the past 20 years they have sometimes got a pretty bad press, and undeservedly so. Farmers, particularly those in my area and members of the Farmers Union of Wales, of the National Farmers Union Cymru and of the Country Land and Business Association, have been at the vanguard of sustainable land use and food production for longer than it has been fashionable to talk about those issues in this House, and they do not often get the praise they deserve for their fantastic work in producing good-quality food and maintaining the landscape as we expect to find it when we visit the countryside.

Mr Nuttall: When my hon. Friend has had discussions with farmers in his constituency, have any of them ever expressed a desire for more direction from the Secretary of State on how to do their job?

Simon Hart: I think that my hon. Friend probably knows the answer to that question, which is, of course, no—but not in an aggressive sense. Farmers simply want a chance to compete on a level playing field not only with other farmers across Europe and the world but with other industries in the UK. This is not about special pleading, but about their pleading to be treated in a similar manner to everybody else. The Bill contributes to a suspicion that individual Members of Parliament want to do things to agriculture rather than for it. If there has been a long-running problem it is the latent suspicion hanging over everything we do that we act in our interests rather than those of farmers.

Kerry McCarthy: Does the hon. Gentleman accept that there is a trade-off here, given that the UK agriculture industry benefits from billions of pounds-worth of subsidy from UK taxpayers? Do not the taxpayers who are not involved in the farming industry have a rightto express an opinion on how farming is conducted? If they think it important that higher environmental standards are met, that is a perfectly valid point for them to make.

Simon Hart: Yes, I do agree. That is perfectly reasonable and the evidence clearly shows that nobody in agricultural food production would disagree. Indeed, people in the industry have been making such points for longer than the hon. Lady or I have. This is all about fairness, to use a word that is also becoming rather fashionable. On that point, our countryside and industry are the envy of Europe not because of politicians but despite them. My hon. Friend the Member for Bury North, who has just left his place, accurately raised that issue in his intervention. We have to be careful that when we pass legislation that affects rural Britain, particularly agriculture, we do not create a more complicated and therefore less competitive agriculture industry, thereby failing to achieve the benefits that the supporters of the Bill have quite reasonably set out to achieve.

Sarah Newton (Truro and Falmouth) (Con): Does my hon. Friend agree that much of the subsidy to farmers that the hon. Member for Bristol East (Kerry McCarthy) mentioned is for benefiting biodiversity, for stewardship and for taking great care of the environment being farmed?

Simon Hart: I do, and that is a very visible shift in subsidy policy that has taken place over the past 10 or 20 years. Instead of subsidy of food production simply for food production's sake, we have moved much more towards environmental stewardship. The point I was trying to make was that we should not assume for one moment that environmental stewardship is not taken extremely seriously by farmers across all aspects of agriculture, not just food production; they value environmental stewardship and have been part of it because they feel that that is their duty, not only to their farms but to the community. That has always been the case, yet that gets lost in these debates. Somehow, there is the underlying view that we have to make farmers take environmental stewardship seriously. That is not the case. The farmers whom I know take it extremely seriously. The only barrier between them and successful environmental stewardship has generally been politicians, not a desire to make money at the expense of the environment.

If I were to shine a bright light on the Bill I would point out that surely any decent Secretary of State of whatever party would automatically insert into their thinking, if not their legislation, all the checks and balances that we are told are now so essential that they have to be enshrined in law. I have to ask why, over the past 13, 15 or 20 years, successive Secretaries of State at the Department for Environment, Food and Rural Affairs and its predecessor, the Ministry of Agriculture, Fisheries and Food, did not do that as a matter of routine.

I recall the creation of something called the Rural Advocate under the previous Government. I am not even sure, to my great shame, whether he still exists, but his job was to oversee a sort of rural-proofing exercise to ensure that any legislation—not just that sponsored by DEFRA, but legislation from any Government Department—passed the test as far as rural communities were concerned. My criticism is that perhaps the Bill takes far too narrow a line of attack, at this stage, at any rate.

[Simon Hart]

I want to move on to the vexed question of sustainability. It is difficult to define it as accurately as we might like in this debate. I suspect that it is tempting for Members, particularly new Members, to resist the chance of objecting to anything that has "sustainability" in the title, because we may somehow be seen as regressive or as dinosaurs if we do.

As far as the Bill is concerned, most of us have come under heavy bombardment over the past few weeks from various pressure groups, some of which have had more compelling arguments than others. Three particular people have pushed me as close as I was happy to go towards supporting the measure. One was my hon. Friend the Member for Richmond Park (Zac Goldsmith); I value his opinion on every subject, but we cannot quite agree on this one. I was subject to some late-night lobbying yesterday from Mr Hugh Fearnley-Whittingstall, but even his persuasive argument, including the promise of a River Cottage hamper for Christmas if I changed my mind, was insufficient. I should also mention the fantastic efforts and unique lobbying skills of Mr Stanley Johnson, who is up in the Public Gallery today, but even the combined heavy bombardment from those three expert individuals, whom I respect greatly, failed to convince me that we are anywhere near defining sustainability as well as we might, for the purposes of the Bill becoming an Act.

Henry Smith (Crawley) (Con): I agree that sustainability is a much abused word, but does my hon. Friend not agree that sustainability involves economic, social and environmental concerns, both in this country and around the world?

Simon Hart: I do, and we sometimes forget that there is a strong social and economic ingredient in that definition; it has been missing so far in this debate. I am sure that the hon. Member for Stoke-on-Trent South will tell us that we have got that wrong, but I have seen nothing, in the hundreds of e-mails that we have had so far, to convince me that the point made by my hon. Friend the Member for Crawley (Henry Smith) has been properly addressed.

It is odd that the Bill focuses purely on livestock production. It seems obvious that if we are to talk about sustainable farming, we should not restrict ourselves purely to livestock. I am not convinced that the Bill has been properly considered in that respect. To pluck one example from the sky—no pun intended—let us consider poultry production. It seems odd that we have not properly examined the argument that intensive poultry production has less of an adverse carbon footprint than extensive poultry production. That has not been addressed, nor had consumer purchasing habits until the hon. Member for North Antrim raised them. There is a reference in the Bill to rural resilience. I do not know what that is, in the context of the Bill, but I do know that it is something with which I have been extremely familiar for 10 years. The resilience of the rural community is far from being a satisfactory excuse to increase the burden of regulation on the rural community. We cannot possibly simply depend on the resilience of our friends in the livestock industry for the purposes of the Bill.

We have not discussed in any great detail the Bill's possible adverse effects on livestock producers. There was one reference, and only one, this morning to profit—a sort of dirty word, it seems, when we talk about sustainability. Unless there is profit in farming, and unless there is the sort of profit that enables farmers to invest long term as opposed to short term, then there will be no sustainability of any sort—no environmental sustainability, no social sustainability and no economic sustainability. There was a famous bumper sticker in America a year or so ago, which quite simply said, "No farmers, no food".

We overlook the sustainability question and the long-term profitability of farming at our peril. While there has been a bit of a debate about intensive dairy units and what number of cows constitutes unacceptability, it seems interesting that, at long last, there are people out there who are prepared to consider investing several million pounds in UK agriculture. We have been striving for generations to persuade people to do that. The moment somebody comes up with a cost-effective way of doing so, we fall on them like a pack of wolves and try to stop them. We have got to be careful about being carried away by a scare story.

Steve McCabe (Birmingham, Selly Oak) (Lab): As I listen to the hon. Gentleman, I wonder whether he is talking about the same Bill as I have been looking at. One of its central themes is to try to reduce dependency on imported meat and the risky practices that happen outside this country. I thought that that was a major defence of British farming and I am surprised that he does not support that.

Simon Hart: I think we are reading the same Bill, but it strikes me as odd that, of 1,000 livestock producers in my own part of west Wales, not a single one has written to me suggesting that I support this measure—not one.

Steve McCabe: The hon. Gentleman should have explained the Bill to them.

Simon Hart: Does the hon. Gentleman wish to intervene? I suspect that the sponsors of the Bill are responsible for explaining it to the people whom it affects. My earlier comments about having to be careful that legislation is not seen to over-regulate our farming industry, and thereby make it less competitive, must be taken seriously. In the hon. Gentleman's favour, I would say that the aspirational elements of the measure are to be commended. It is fair to say that there are a number of Members across the House who might not be able to support the Bill today, but who support its aspirational elements, particularly local procurement for institutions such as the NHS and the Ministry of Defence. Indeed, I think the Conservative party manifesto said that we would pursue such a measure. Perhaps the Minister could expand on that. Equally, as we have heard, farmers have signed up enthusiastically to a number of environmental schemes, with the possible exception of Glastir in Wales, which has proved to be a bureaucratic nightmare, unlike its excellent predecessor.

To conclude, I want to deal with the question of balance. With all these things, it is difficult to strike the right balance between encouraging and generating economic

sustainability in the farming industry which, in my opinion at any rate, leads to environmental sustainability, and the interests of those who wish to use the land for non-agricultural or non-food production purposes. It is difficult to strike the right balance between those who have a duty to produce good-quality, affordable food and those who maintain sensible, measured and worthy considerations. Perhaps my greatest concern is that the Bill does not seem to strike that balance. Although it rightly puts the focus of responsibility on the Secretary of State and on the politicians, it does not deal with that in a way that, if enshrined in law, would be fair, reasonable or balanced. It is good to see a measure that regulates us rather than farmers, but it is not quite in the right condition yet. For that reason, for anybody who has a real interest in striking that balance and in supporting the desire of rural communities to be economically, socially and environmentally sustainable and responsible, it is impossible, at least on this occasion, to support the measure.

12.10 pm

Sarah Newton (Truro and Falmouth) (Con): Thank you, Mr Deputy Speaker, for calling me to speak in such an important debate. I congratulate the hon. Member for Stoke-on-Trent South (Robert Flello) on advancing his private Member's Bill. Debating it has been a valuable use of our time today.

Livestock, and dairy farming in particular, is important to the local economy in my constituency. Local farmers produce milk to drink and to process into clotted cream, for which Cornwall is famous, and also to make butter, ice cream and award-winning cheese. Many local people and tourists alike enjoy the delicious meat produced from the local herds, not least in our Cornish pasties.

When I was growing up in my constituency, every parish had a number of dairy farmers. That has, sadly, dwindled over time, especially under the previous Government, whose lack of understanding and support for farmers, coinciding with outbreaks of disease, almost wiped out that entire industry. Some tenacious and determined farmers, often paying a high personal price, have soldiered on. I believe they have a good future as more people understand the value of locally produced food as part of living in a healthy and sustainable community.

I must declare an interest, as I am a proud to say that I am vice-president of the Truro Christmas Primestock and Produce Society, which hosts a popular annual event in December that aims to raise awareness of the high-quality food producers in our community. Events like these and local farmers markets help more people understand and appreciate how important it is not only to the local economy, but to human health and well-being to support the local production of food. Penair school in Truro won the BBC food and farming award last year for its locally sourced food and excellent school dinners. The Royal Cornwall Hospitals Trust has been nationally recognised for the locally sourced and homemade food that it serves to patients.

I want to ensure that the livestock farmers in my constituency and around the UK are supported by the coalition Government. The sustainability of those farmers is vital to the sustainability of our economy. Although I agree with the Bill's aims, especially its aspiration to reduce deforestation in south America and the Amazon, to reduce foreign imports of meat, and to improve human rights, I agree with the NFU when it says:

> "Many of the 'solutions' that have been put forward will not, as is often claimed, benefit UK farmers. They can be unworkable or illegal, damaging for the industry on these shores, and in many instances simply export the perceived problem abroad."

I agree with hon. Members and organisations outside the House who support the Bill and want to move away from factory farming to environmentally friendly farming, to cut our CO_2 emissions and to protect our wildlife and natural environment, but we also need to ensure that we have an economically sustainable farming industry.

As the global population is growing so rapidly, it is vital that we produce more food in this country. It has been estimated that in the next 40 years, demand for food will increase by 70%. Farming will be one of the most important sectors in the global economy. Should not Governments across the world be helping all farmers to develop sustainable methods to meet this huge surge in demand? As my hon. Friend the Member for Banbury (Tony Baldry) so ably described, that will be very difficult to achieve, as farming methods have evolved over hundreds of years in response to the community, society and, not least, environment.

I had the great pleasure of living with my family in Italy for four years, and there I visited a number of organic farmers. Dairy production in Italy, deemed to be of the highest standard, is done inside. All dairy cattle are kept inside all year round, even in north Italy where I lived, for the simple reason that there is no pasture because of the environment and the climate. Trying to achieve sustainable farming throughout the world, which I believe is essential, will be a complex matter and will require considerable negotiation.

Mr Nuttall: Will my hon. Friend expand on her point about organic farming in Italy being carried out indoors? Is that right?

Sarah Newton: I will be happy to do so, because I have a great interest in locally produced food and organic food, particularly as I grew up in a rural area and am very aware of the high standards of animal husbandry in this country. People in Italy have a great passion for their food, so when I lived there I was interested in meeting farmers and those in food production. I was surprised—as surprised as I expect my hon. Friend is—to visit a large-scale organic farm just outside Milan where all the cattle were kept indoors all year round. As anyone who knows that part of the world will know, it is hot, and pasture cannot be grown sustainably to enable the livestock to graze outdoors as dairy cattle can in Cornwall. It brought home to me that we should not always be so judgmental about how other nations go about farming in a sustainable way that has, by its very nature, to respond to the natural environment that they find themselves in.

I hope that hon. Members will agree that rather than persist with the Bill in its current form, with all the issues that have been so ably raised by my hon. Friends, we should build on the very successful publicity that it and today's debate have received, and work with the various Ministers who are already working on a range of plans and policies that will address the complex and often interrelated issues that the Bill raises. In doing so,

[Sarah Newton]

we will be assured of more effective outcomes and policies that balance the needs of environmental protection and climate change adaptation with economically sustainable farming.

In the last Parliament there was cross-party support for the Climate Change Bill, and I urge Opposition Members to work constructively with the coalition Government in this Parliament to bring in the changes that are needed today, tomorrow and in the years to come, so that there is a future for sustainable British livestock farming.

Jacob Rees-Mogg: I have listened with enormous interest to my hon. Friend. Does she agree that it would be unsuitable to do this on a national level? If ever there was something that had to be dealt with at a United Nations level, it would be this type of issue, and we simply cannot do it from this Parliament.

Sarah Newton: I am happy to agree with my hon. Friend, and that point was ably demonstrated by my hon. Friend the Member for Banbury, with his considerable experience of farming and farming practices around the world, and our important role in helping developing countries to develop in a sustainable way. It is vital that we proceed in the way suggested and I am sure that we will hear from the Minister about the considerable lengths to which the Government will go to achieve that.

Mr Chope: As my hon. Friend knows, I spent quite a lot of my childhood in the wonderful constituency that she has the privilege of representing. In that constituency there is a big problem of bovine TB. Does she think that keeping cattle in sheds might be a way to prevent cattle from being affected by bovine TB, thereby avoiding the enormous waste that is involved in the slaughter of cattle that are affected?

Sarah Newton: I thank my hon. Friend for his kind words about what is, indeed, a very beautiful constituency. It is my great privilege and honour to represent it. As he rightly points out, we are particularly blighted by bovine TB in Cornwall; it is a real hot spot. There is no doubt that for a long period farmers in my constituency have suffered when tackling that disease, which is absolutely appalling not only for badgers, but for the cattle that it infects. Sadly, because of the lack of action taken by the previous Government, bovine TB has spread to other livestock in Cornwall, including pigs, which are farmed in a free-range way. It is a huge problem. I am, however, confident that the measures that the new coalition Government are taking, by building up an evidence base with the widespread consultation of all concerned, will come up with a range of solutions that can be urgently implemented to reduce that terrible disease in the new year.

12.20 pm

Mr William Bain (Glasgow North East) (Lab): I congratulate my hon. Friend the Member for Stoke-on-Trent South (Robert Flello) on speaking with such eloquence, authority and relative brevity to this important private Member's Bill, on which he has worked so assiduously, and I commend those other hon. Members who have participated: the hon. Members for Bury North (Mr Nuttall), for North Antrim (Ian Paisley), for Banbury (Tony Baldry), for Carmarthen West and South Pembrokeshire (Simon Hart) and for Truro and Falmouth (Sarah Newton). They have provided extensive initial scrutiny of the proposals.

Agriculture is one of the most significant parts of the UK economy. It directly employs 534,000 people and contributes £7.1 billion directly to the UK economy each year, with the agri-food sector constituting almost 6.7% of economic output. It is increasingly recognised that farmland has a wider role than simply agricultural production. In particular, it has a role in water protection and in sustaining landscapes and habitats that are rich in biodiversity.

Globally, as the "Food 2030" study by the previous Government made clear, world population growth of between 2 billion to 3 billion in the next four decades will necessitate increased global food production, but that must be sustainable.

Mr Chope: The hon. Gentleman will know that the Bill applies only to England and Wales. Does he feel in any way inhibited when commenting on it, coming as he does from a Scottish constituency?

Mr Bain: Not at all, because I have farmland at the northernmost tip of my constituency, so I am aware of precisely the issues that Members from English, Welsh and Northern Irish constituencies have discussed today.

The Bill points to a future of greater food security and more effective further action on reducing global greenhouse gas emissions. Agriculture accounts for 14% of global greenhouse emissions, and in 2006 the food supply chain was responsible for 160 million tonnes of CO_2-equivalent emissions: one third came from primary production; a further third came from manufacturing, distribution and the sale of food; and a final third came from household food emissions and emissions embedded in imported food. Just as every other part of our economy is making its contribution to tackling climate change by reducing emissions by 34% by 2020 and by 80% by 2050, so too must agriculture. Currently, under the low-carbon transition plan, agriculture in England has an emissions reduction target of 3 million tonnes by 2020.

One key concern that has been raised is the use of soya in animal feed as a source of protein and for the generation of certain biofuels. In some parts of the world, such as Brazil, soya production has become connected with deforestation and environmental damage, amounting to almost 80% of Brazil's greenhouse gas emissions. Friends of the Earth pointed out in its recent analysis that global soya bean production increased by 4.6% annually from 1961 until 2007 and reached an average annual production of 217.6 million tonnes between 2005 and 2007. World production of soya beans is predicted to increase by 2.2% annually to 371.3 million tonnes by 2030.

Let me pay tribute to the work that the English pig industry is doing to promote the sustainable and seasonable sourcing of products, cut the use of imported soya in animal feed and encourage the development of sustainable soya production in Brazil through FEMAS, the feed materials assurance scheme that the hon. Member for

Bury North (Mr Nuttall) referred to, and other initiatives. The Bill provides an excellent opportunity to assess how agriculture can further maximise its role in the vital function of reducing greenhouse gas.

The market for meat is increasing in other continents. In 1985, the average Chinese consumer ate 20 kg of meat a year; now he or she eats more than 50 kg a year. In developing countries as a whole, the demand for meat has doubled since 1980. As the 2009 UN Food and Agriculture Organisation report on the state of food and agriculture says, between 1980 and 2007, China increased its production of meat more than sixfold. Today it accounts for nearly 50% of meat production in developing countries and 31% of world production.

Brazil expanded meat production by a factor of almost four, and now contributes 11% of developing country meat production and 7% of global production. But agriculture also has a central role in driving an increase in global economic growth, food security and poverty reduction. According to the FAO report, agricultural productivity growth has positive effects for the poor in three areas: lower prices for consumers; higher incomes for producers; and growth multiplier effects through the rest of the economy, as demand for other goods and services increases. The 2009 FAO report also establishes that agricultural growth reduces poverty more strongly than growth in other sectors.

Recent research by Julian Alston, published by the OECD, has found that the world has benefited greatly from productivity growth in agriculture, a substantial amount of which has been enabled by technological change resulting from public and private investments in agricultural research and development, although he encourages countries to increase their levels of investment in such R and D. But that poses a clear question: what policy changes must be made to ensure sustainable growth? The FAO's agriculture and commodity prices report of last year found that in June 2008, the prices of basic foods on international markets reached their highest levels for 30 years, threatening the food security of the poor worldwide. In 2007 and 2008, mainly because of high food prices, an additional 115 million people were pushed into chronic hunger. Since then, although prices have declined, they are still high by recent historical standards.

Last December, to enhance the role that agriculture plays in reducing climate change, my right hon. Friend the Member for Leeds Central (Hilary Benn), then Secretary of State for Environment, Food and Rural Affairs, sought to increase international co-operation, collaboration and investment in public and private research by confirming our participation in the Global Research Alliance on Agricultural Greenhouse Gases at the climate change summit in Copenhagen.

How does the Bill meet the challenges of increasing food production sustainably but in ways that protect our environment? Clause 1 sets down a statutory duty for the Secretary of State to ensure the sustainability of the livestock industry with reference to factors including public procurement, appropriate public information and labelling, the support of research into sustainable practices, and a reduction in the amount of food waste, as well as finding suitable means for disposing of it. The Secretary of State would also have a duty to consult appropriate stakeholders on livestock farming, technologies, production and processing, environmental impacts, consumer attitudes and animal health and welfare. Clause 1 appears to strike a balance between enhancing growth and protecting our environment, and it would allow the Secretary of State, in devising policy, to create such a balance.

Clause 2 would create a further duty for the Secretary of State to publish the indicators against which progress on sustainability can be measured, with the use of two-yearly reviews. Such an approach, with the Secretary of State accountable for that report in this House, would increase the accountability that she will have in relation to food security and reducing greenhouse gas emissions.

Mr Nuttall: In fact, subsection (1) requires the publication of the review of progress to be much more frequent than every two years. We can only assume that that is the case because the review of progress referred to in subsection (4) is the overall analysis and review. Would the shadow Minister like to comment on that?

Mr Bain: The key point for the hon. Gentleman to consider is that the Bill would not introduce any order-making power that affected the agriculture industry. It would create a duty for the Secretary of State to have a balanced strategy that took on the points made by the National Farmers Union and Friends of the Earth, and it would allow the Secretary of State to calibrate a balanced policy for which she will be accountable to this House.

Jacob Rees-Mogg *rose—*

Mr Bain: I will make a little progress and then give way.

Clause 1(3) would ensure that the UK, in its discussions at international level, promoted sustainable food production. At the moment, EU policies promote a reduction in two forms of greenhouse gas emissions: methane emissions from livestock digestion processes, which are stored in animal manure, and nitrous oxide emissions, which originate from organic and mineral nitrogen-based fertilisers. Currently, about 9% of total EU greenhouse emissions stem from agriculture. That represents a 2% reduction from comparable statistics from 1990. The Commission's 2009 White Paper indicates that agricultural emissions in the 27 EU member states reduced by 20% between 1990 and 2007 owing to the marked decline in livestock numbers, more efficient application of fertilisers and better manure management. This 20% fall in emissions from agriculture is significantly higher than the 11% reduction in emissions in all EU sectors, and contrasts with the 17% increase in global emissions stemming from agriculture.

The cross-compliance and rural development measures of the EU's common agricultural policy are assisting in the further reduction of agricultural climate change emissions, through the modernising farms programme, extending the use of energy-efficient equipment and buildings, expanding the available support to generate biogas through anaerobic digestion, and the compensatory measures for farmers who assist in environmental protection through agri-environment schemes. These measures should form key elements of a reformed CAP, which members on both sides of the House will wish to see emerging by 2013. They are measures which, under clause 1(3), the Secretary of State would be able to promote at EU level.

Mr Nuttall: Is it not the case that the Secretary of State could do precisely that without this Bill?

Mr Bain: It would be more effective if the Secretary of State could bat for Britain in the EU Council and demonstrate to this House the progress that she is making towards effective CAP reform, which all of us will want to see by 2013.

I wish to highlight another point that the 2009 European Commission report stressed, which is the scope for improvement in livestock management, such as changes in diet, the use of additives that can mitigate methane emissions, the increased use of anaerobic digestion, and better nitrogen-based fertiliser management in order to cut nitrous oxide emissions. If the Bill commits the Government to negotiating the expansion of those or similar policies, it will make a substantial contribution to reducing our greenhouse gas emissions from agriculture and be worthy of the House's support.

The Opposition support the principles behind the Bill. Should it receive a Second Reading today, several clauses will undoubtedly require detailed scrutiny in Committee, but its commendable purpose is to bring about a step change in food security, promote the greater efficiency of food supply chains in the UK and the EU, and ensure that alongside other industries in this country, agriculture makes its contribution to the ambitious greenhouse gas reduction targets established by the previous Government and accepted by the current one. It is a bold and ambitious Bill in pursuit of a noble cause, and I hope that Members throughout the House will provide us with the opportunity to give it detailed examination in Committee and a fair chance of the further progress that it merits.

12.36 pm

The Minister of State, Department for Environment, Food and Rural Affairs (Mr James Paice): May I start by reminding the House of my interests, as declared in the register?

I congratulate the hon. Member for Stoke-on-Trent South (Robert Flello) on drawing second place, I believe, in the ballot. Many of us have been in the House far longer and have never got on the list at all, and there is always an element of envy when people manage to get a high place on it in their very first Parliament.

As the hon. Member for Glasgow North East (Mr Bain) said, the Bill provides the opportunity for a hugely important debate. I hope the House will forgive me if I spend some time going through a number of related matters and explaining what the Government are already undertaking. Before doing so, may I congratulate the hon. Gentleman on what I believe is his first speech at the Dispatch Box? He will forgive me if I am mistaken, but it is certainly the first one opposite me. He made a very good speech, and I agreed with virtually everything he said, which will probably finish his political career completely. The exception was his brave effort to say that the Bill would help. I could see an element of fence-sitting there—I hope it was not too painful.

The hon. Gentleman rightly referred to the importance of agriculture as an industry and to the increasing world demand for food. He clearly agreed with a number of my hon. Friends, who have said that simply pushing for less meat-eating is not the way forward, given the increased demand elsewhere. He rightly said that agricultural growth was the best form of economic growth in poorer countries, and mentioned the 20% fall in agricultural emissions, which is considerably better than in many other sectors. Those were all good points on which I support him entirely. I hope he will forgive me if I chide him slightly by asking why, if the Opposition are so supportive of the Bill, the Labour Government opposed it when it was presented by my then hon. Friend Peter *Ainsworth*. No doubt they are learning by their mistakes, for which we must all be grateful.

This has been a good debate, and none of us could argue that the sustainability of the UK livestock system is of anything but prime importance to everybody. It has, however, given rise to a number of what I can only call myths and misunderstandings about today's livestock industry. For a start, there has been a lot of talk about large-scale dairy enterprises. The hon. Member for Bristol East (Kerry McCarthy) referred to my remarks at a previous Environment, Food and Rural Affairs Question Time. I am grateful that she remembers them five weeks after I made them—that does not happen very often, so I will bask in the reflected glory. When we discuss the matter, we need to know certain facts. It is not for the Government to be for or against large-scale dairies, and the particular case in question is subject to a planning application, but I hope that the debate can be held on the basis of facts.

The reality is that the animals at the proposed 8,000-unit diary will still be fed largely on roughage, as are all ruminants. The fact is that ruminants—cattle and sheep—cannot survive on all-cereal diets, because their digestive systems cannot cope. They must have silage, grass, hay or something similar as a substantial part of their diet. The difference with the proposition at Nocton is that the grass or silage will be brought to the animals; they will not go out to it, although they will still be on it.

Someone referred to the NFU briefing, and the reality is that ruminant diets contain on average only about 3% soya bean. The fact that a dairy unit is large does not mean that it will use any more soya per cow than a small dairy unit. As I said in my intervention, the vast bulk of soya feeding, and indeed grain feeding, goes on in the pig and poultry sectors, where the livestock cannot live on anything else. Pigs will eat a bit of grass, but they cannot extract the nutrients from it, and poultry, of course, feed on seeds—hence their diet of grain, nuts and things like that, certainly in the wild. If we try to curtail the use of soya or grain, it is the intensive white-meat sector—the pig and poultry sectors—that will be most affected.

As a number of colleagues have said, the livestock sector accounts for more than half the £20 billion gross output of UK agriculture as a whole. That primary production is part of the biggest manufacturing industry in this country. The hon. Member for North Antrim (Ian Paisley) is no longer in the Chamber, but he made a pertinent point about the importance of domestic food production. He referred to high-quality, traceable and nutritious food. The word "traceable" is one we must spend a moment on, because the more food that comes from abroad, the harder the challenge of ensuring traceability becomes. As we all know, traceability is critical to food safety and production standards.

The food manufacturing industry employs almost 400,000 people and contributes £20 billon in gross value

added. Unless our farming industry produces the raw materials for that industry, we will lose that manufacturing sector as well as our farming sector.

As several hon. Members on both sides of the debate have said, the contribution made by farming is about much more than simply food; it is about creating and maintaining our landscapes and our biodiversity, as well as about our food security. Indeed, it is also about the viability of many of our rural communities, because more remote communities tend to be in areas where livestock is the only form of production possible.

I want to re-emphasise a point that I made earlier, because there is a belief on both sides of the House that if we stopped importing soya, all the stock would somehow go out on to grass and we could return to the chocolate-box days when there were cows in every field. That is not the reality. Cattle is not the sector where the majority of grain and soya is used.

Like everybody in the Chamber, the Government wholly accept and share the objectives and aspiration in the Bill, which is about ensuring the sustainability of our livestock industry, but it is not right to try to do that through a regulatory framework, as the Bill does.

Mr Chope: As my hon. Friend said, there is a public misconception about the link between soya imports and large-scale dairy units. What is his Department doing to put the public right on that and to remove that public misconception? Obviously, his speech today is helping, but what else can his Department do?

Mr Paice: It is not for the Government, directly, to say that one form of production is right and that another is wrong. What matters most—I will come to this in a minute—is that consumers are properly informed about how and where their food is produced. They can then make the right judgment according to their own views and beliefs.

Mr Nuttall: The best way of keeping consumers informed is, of course, through honesty in food labelling. I understand that the Government propose to move the responsibility for that from the Food Standards Agency to the Department for Environment, Food and Rural Affairs. Perhaps the Minister will comment on how that will play a part.

Mr Paice: I will indeed, but perhaps my hon. Friend will bear with me until I get to that point in my remarks.

The hon. Member for Stoke-on-Trent South slightly chided the Government when he said that our structural reform business plan contained no reference to the use of soya, yet there is no reference to it in the Bill. However, the Government's business plan has a priority of supporting a competitive and sustainable British food and farming industry. That is our No. 1 objective. Alongside it go issues such as enhancing the environment and biodiversity to improve quality of life and support a strong and sustainable green economy that is resilient to climate change. It cannot be made any more obvious that a sustainable livestock industry sits clearly in that framework of ambition.

We support a sustainable future for livestock farming and food production in which the whole chain—the farmers and their representative organisations, food chain businesses, consumers and the Government—plays its part by operating efficiently, sharing information and learning, and, as the hon. Member for Glasgow North East said, eliminating waste. However, I emphasise that we do not believe that the best way of going about that is through the regulatory approach in the Bill, or even, as some have suggested, through a soundbite approach of giving the Secretary of State a duty to ensure the sustainability of the industry. Clearly, that is impossible for any Secretary of State; it flies in the face of common sense.

There has been some debate about the scope of the Bill. Hon. Members have referred to the fact that Scotland and Northern Ireland are excluded, yet clause 5 implies that Wales is included. That is simply another fundamentally flawed aspect of the Bill, because agriculture and sustainability are devolved to the Welsh Assembly.

Taking the matter forward requires clear resolve and determination from the Government. It requires a resolution that we will work with industry in partnership as it delivers its commitments and, when necessary, take steps to ensure that those commitments are fulfilled.

We also need the ambition to realise that Government do not have all the answers. The Government have never pretended—and will never pretend—to know all the answers to everything. It is for those with the best knowledge of their businesses and activities to devise solutions. That is why I am happy today to offer a different approach from the detailed prescription in the Bill, which sets out how and when the Secretary of State should consult and so on. I want to make the Bill's promoter and sponsors a genuine offer from the Government. I invite them to participate in a broad conference of all those concerned with the sustainability of the livestock industry, to be held early next year, and convened and run by stakeholders in the industry. It will reflect on and debate the activities that are already under way in the livestock sectors, and consider what has been achieved and what remains to be done. I will expand on that shortly.

I shall outline some of the activity that is already taking place and the Government's approach. Like the previous Government, we believe that a partnership approach is right. First and foremost, I want to show that we can trust farmers to do the right thing. If we trust people, they must accept responsibility. The UK livestock industry is showing its leadership and commitment to operating sustainably. The dairy supply chain forum's milk road map is a good example of what can be achieved through bringing producers, processors and retailers together to commit themselves publicly to milestones for more sustainable operation on, for example, dairy farm land, and in environmental stewardship, nutrient planning, recycled plastic milk bottles and so on. I look forward to seeing the new targets for sustainability in the updated road map when it is published next spring.

The hon. Member for Glasgow North East referred to the pig sector and the work it has done in producing its own product road maps. The beef and sheep sectors are also working to produce road maps to provide frameworks for measuring the sustainability of their operations. I am genuinely encouraged by their commitment to developing supply-chain approaches to sustainability. The Government will work closely with each of those sectors to encourage the agricultural industry in partnership in England to implement the reductions in on-farm greenhouse gas emissions, which were set out in the frameworks for action earlier this year.

[Mr Paice]

There are other areas where the Government can and do help in respect of the subject matter of the Bill. On public procurement, which was mentioned in the debate, we are developing Government buying standards for food. They will be mandatory for central Government and our agencies, and we will promote them to the wider public sector. The standards will set a clear definition of healthy and sustainable food procurement and will allow us to lead by example in influencing procurement practice.

As my hon. Friend the Member for Bury North (Mr Nuttall) said, labelling is also a key priority for the Government. Ensuring the integrity of the information that labels provide to consumers is crucial to a sustainable livestock industry. That is why the Secretary of State and I want to ensure that unprocessed meat is clearly labelled with the country of origin and information on where the animal was born, raised and slaughtered. We also want to ensure that processed foods that are labelled as made in the UK show the origin of their main ingredients if they come from outside the UK. Again, that is to avoid any confusion for the consumer. I am very encouraged by the response that I have had from the food supply chain businesses in developing the principles in that voluntary code, but more work remains to be done to ensure clarity for consumers, and the Government have always made it clear that we reserve the right to legislate if we cannot achieve what we want voluntarily.

Tackling food waste is a Government priority. The Secretary of State has already announced a thorough review of all aspects of waste policy and delivery in England, including household and business waste and arrangements for recycling collection. The hon. Member for Glasgow North East referred to anaerobic digestion. We want to see a big increase in renewable energy from anaerobic digestion of both agricultural and human waste. We are working on the steps to achieve that through the rural development programme, which will knit in with the feed-in tariff system. DEFRA's support for a sustainable livestock industry is, I believe, shown through its commitment of significant resources to research to improve our knowledge base of what works.

The hon. Member for Stoke-on-Trent South, among others, mentioned soya, but we need to be clear what we are talking about. We import something like 2.2 million tonnes of soya bean meal, and 0.8 million tonnes of soya beans—a total of 3 million tonnes. Of course, not all of that is for animal feed. Virtually all our processed food—soya is a major ingredient of vegetarian food—contains soya. Not all soya is fed to stock. In fact, about two thirds of all our manufactured food products contain derivatives of, or ingredients made from, soya. Nevertheless, the debate has focused on the livestock use of soya.

The 3 million tonnes should be seen in the context of current UK cropping and we must look at the implications of the ultimate objective of the Bill, which is to produce all our protein within the UK. A yield of 5 tonnes per hectare of the equivalent of soya—the nearest we have are dried peas and beans, which we already grow—is quite high, but with that assumption, the 3 million tonnes of soya imports equate to 600,000 hectares of British farmland. We currently grow about 1.8 million hectares of wheat, just over 1.1 million hectares of barley, 581,000 thousand hectares of rape and only 233,000 hectares of peas and beans. It does not take much working out to see that if we were to replace that soya import, our cropping practices would need to undergo a massive change, with the consequential increase in imports of whatever crop is displaced to grow some form of protein to replace soya.

What we are doing as a Government is to co-fund research with the livestock industry on the environmental consequences of replacing soya with home-grown legumes in diets—for pigs particularly—and on the life-cycle analysis of poultry production systems, on an analysis of nutrition regimes for ruminants to reduce greenhouse gases, and on work to improve the welfare and health of dairy cows, including in the large-scale units that we have debated at other times.

Mr Chope: Has my hon. Friend seen the report "Pastures New—A Sustainable Future for Meat and Dairy Farming", produced by Friends of the Earth? In it, quoting research by the Royal Agricultural College, Friends of the Earth says that we could use 2.25 million hectares of land to provide crops as an alternative to soya imports, rather than the lower figure to which my hon. Friend referred.

Mr Paice: I do not think I have actually seen that figure, but if it is to be taken as the correct figure, that is half our arable land. So the increase in imports of all the crops that would be displaced by that crop would obviously be dramatic and would have other implications; we would probably have another Bill trying to stop that.

On top of the research that I referred to, we are committed to tackling the deforestation that the Bill rightly aims to reduce, and which has accompanied some soya production. But we must recognise that soya consumption is not all about livestock. DEFRA is leading a programme of work, with businesses and non-governmental organisations, on another major food ingredient that has not been debated this morning—palm oil. We want to support production without the forest footprint of replacing rain forest with palm oil production.

We are also working closely with our European and other international partners. Much has been made of Brazil; in particular we are working with that country to tackle the drivers of deforestation. We are also working with EU partners to tackle illegal logging, which destroys forests and biodiversity and contributes, as we know, to CO_2 emissions.

Jane Ellison (Battersea) (Con): I have attended this morning's debate with a genuinely open mind, in accordance with the commitment that I gave to my constituents—we are very interested in the Bill. I suspect that what drives much of the sense of urgency of the Members who spoke in favour of the Bill, is a sense that we are hearing merely warm words and promises, and among working people everyone is a little concerned that those timelines will slip. The Minister has conceded that he agrees with a great deal of the sentiment behind the Bill. What reassurance can the people who support the sentiment behind the Bill have that progress will be made in a reasonably rapid time frame?

Mr Paice: I am grateful for that question, part of which I will come to in a few moments. First, let me say that the issue is not about the principle of ensuring that

our livestock sector is more sustainable; the debate is about how we go about it—whether to adopt the highly regulatory approach proposed by the Bill, or to continue with the approach that, as has been said in all fairness, was begun under the previous Government—and continued and emphasised by the present Government—to achieve the aim with partnership working throughout the sector. A lot of progress is being made, and in a few moments I shall outline how I think the Bill could be counter-productive in achieving that.

I was saying that we are working closely with the EU, Brazil and others. In particular, bringing us right up to date, we made great strides forward at the recent conference in Nagoya, not only in agreeing targets for reducing the loss of habitats including forests, and for tackling forest degradation, but in making real progress on the links between climate change and biodiversity. The Government announced as part of the spending review that we will provide £2.9 billion towards tackling international climate change. A significant proportion of that will be used to address forestry issues, and that meets and goes beyond the commitments made at Copenhagen by the previous Government.

Kerry McCarthy: Could the Minister tell the House what conversations have taken place on this issue between DEFRA Ministers and Ministers in the Department of Energy and Climate Change? I was a bit concerned that when I raised this issue at yesterday's DECC questions, the Minister who was answering did not seem to have the slightest idea that the Bill even existed. This is important in terms of putting the issue on the agenda at the international climate change talks.

Mr Paice: Obviously, I cannot comment on what may have taken place in the Chamber yesterday, but I assure the hon. Lady that those discussions do take place. I know that my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs has engaged in a number of conversations with the Secretary of State for Energy and Climate Change about our stance, and did so before going to Nagoya, so we had an agreed Government position. Further discussions are taking place—some have taken place—prior to the meeting at Cancun in two or three weeks' time. I can assure the hon. Lady that those discussions most definitely are taking place.

The £2.9 billion going towards tackling international climate change that I mentioned is obviously very significant, but the key international mechanism for tackling deforestation and ensuring that forestry contributes to our action on climate change is the REDD+ programme—reducing emissions from deforestation and forest degradation—in developing countries. Part of making that programme work will be an examination of all the drivers of deforestation, including forest conversion to agriculture. The progress that we made at Nagoya on ensuring that a successful REDD+ programme delivers benefits for biodiversity was a major breakthrough, in which the Secretary of State for Environment, Food and Rural Affairs played a key role. As I have just said, we need to build on that at Cancun in a few weeks' time.

In addition, I can tell the House that the Technology Strategy Board, in conjunction with DEFRA and the Biotechnology and Biological Sciences Research Council, is planning a call of up to £15 million for business-led applied research projects that will help to deliver a sustainable future supply of protein for the UK. As I announced last week, DEFRA and the devolved Administrations are committing £12.6 million to research to improve our understanding of greenhouse gas emissions from farms across the UK. At the same time, we are working with our partners in the Global Research Alliance of 30 countries to collaborate on research into agricultural greenhouse gas emission reductions, including from livestock.

It is important to emphasise that a range of different views about agricultural emissions still exist and that this is an extremely complicated field, because it involves many interacting purposes. For example, grassland, which has been the subject of a lot of discussion today, is itself a huge reservoir of carbon and so it is arguable that the more grass we have, the better. However, if ruminants graze that grass, they emit methane and so a balance needs to be worked out. We must also consider an issue that is very relevant to some of the conversations that have taken place in the Chamber this morning: intensive versus extensive. I am not advocating this necessarily, but it is part of the dilemma faced by the industry that if we keep stock in an enclosed building, we can then deal with the emissions. By contrast, if the stock are kept free range, the emissions are emitted into the atmosphere and we can do nothing about them. That is just part of the conundrum that we need to try to resolve, hence that further investment of £12.6 million that I announced last week.

The Government's commitment to a sustainable future for UK farming is, as I have said, right at the top of our business programme. So it is very clear, particularly at a time of fiscal restraint. However, I suggest—this comes back to the point made in an intervention a few minutes ago—that if we were to adopt the Bill as it stands, we would find that much of it is completely undeliverable and unachievable. Expecting the Secretary of State "to ensure" certain things is an impossibility, because all these things fall way outside the Secretary of State's real powers. The Bills states that it is the Secretary of State's duty

"to ensure the sustainability of the livestock industry"

That is not just down to the Secretary of State; it is down to countless other businesses, individuals and so on. Clause 1(3) states that the Secretary of State

"must ensure that policies in relation to negotiations and other activities...including at the European Union, are consistent with sections 1(1) and 1(2).

I suggest that that, too, is impossible. Many other factors bear down on our negotiations, and giving the Secretary of State a duty

"to ensure that the steps taken in accordance with this Act do not lead to an increase in the proportion of meat consumed in the United Kingdom which is imported"

is clearly impossible. We live in an open market economy, thank goodness—I believe that the Opposition share that perception these days—and we could not, because of European and World Trade Organisation laws, simply put up the siege barriers and say, "We are not importing any meat." That might be what Mr Putin has done about wheat, but it is not realistic to expect us to do it for meat.

I am afraid that some aspects of the Bill are clearly outwith what would be sensible legislation, which is one major reason why we oppose it. Another is that if the

[Mr Paice]

Secretary of State were to divert considerable DEFRA resources to do everything required by the Bill, that would slow down our progress. As I have tried to illustrate, we are making considerable progress in a range of ways and I want to drive that forward because I believe strongly in that agenda.

Mr Nuttall: Has the Department assessed the likely cost of trying to enforce the Bill's provisions?

Mr Paice: The honest answer is no, but the costs would be considerable. In this time of major economic constraint, DEFRA clearly does not have the resources for this; a reduction in its overall budget has already been announced. Also, as my hon. Friend said in his excellent speech, the cost of the measures and of regulating them would have a considerable impact on the industry.

There are a number of reasons why the Bill is not the right way forward. I believe in the partnership approach of working with the industry that I have outlined. We are ready to show the necessary leadership and resolve to challenge the industry to act sustainably. That is the best way of producing the results to which we and the Bill aspire. Most of our farming leaders and the farming and food businesses they represent understand the Government's resolve to ensure a sustainable future for livestock, farming and food.

We hope and expect the agricultural industry's climate change task force to deliver its commitments to a greenhouse gas action plan with tangible measures for on-farm abatement. I hope that the plan will be published in the next few weeks. We will review it in 2012 and be ready to take the necessary steps should it seem unlikely to deliver the progress on farm-level abatement that we need.

We want to encourage all parts of the livestock industry to challenge themselves in thinking about the sustainability of their sectors and to set challenging goals for pro-environmental behaviours. In this time of restraint, and with the Government's overriding priority of reducing the deficit, we need to focus resources on where they can make the most difference rather than on the statutory reporting and monitoring envisaged in the Bill.

Unsurprisingly, I repeat that the Government cannot support the Bill. Although its general sentiment is admirable, its terms are too broad, the duties it would impose on the Secretary of State are too ill defined and, indeed, undeliverable, and it is not consistent with the partnership approach that we want to engender. Let me return, therefore, to my earlier offer. Rather than impose additional layers of reporting, we would like to offer something substantive: our participation in a conference of interested parties in the first half of next year to take stock of the progress made by the UK livestock sectors in delivering sustainability objectives. I look to interested parties to set up and host the conference, but I give a commitment that either the Secretary of State or I will attend it. A year after the conference, DEFRA would report on the role of all parties with an interest in the sustainability of our livestock industry.

Ian Paisley: The conference proposal is valuable, but will the Minister ensure that it will be open to the devolved regions and organisations such as the Ulster Farmers Union?

Mr Paice: As I said just now, I would hope that the interested parties would organise the conference; I do not particularly want to have to write the guest list, not least because I would no doubt be accused of fiddling it by those who—

Mr Nuttall: Will my hon. Friend give way on that point?

Mr Paice: Just let me finish this point. I am sure that those who read this debate will take that on board, and I certainly hope that all the devolved Governments will be part of the conference. It really ought to be a UK enterprise.

Mr Nuttall: On the point about the guest list, bearing in mind the confusion that arose this morning about the extent and scope of the Bill in the United Kingdom, will the Minister confirm that he will invite interested parties from not just England, but Wales, Scotland and Northern Ireland?

Mr Paice: I have just answered that point. I do not want to control the guest list, but I certainly think that the conference should be seen as a UK event.

Before I conclude, I want to refer to one or two comments made by hon. Friends. We have heard some good, solid speeches; my hon. Friend the Member for Bury North made a very solid speech. He was interrupted a couple of times for very relevant purposes. My hon. Friend the Member for North East Somerset (Jacob Rees-Mogg) was, as we have very quickly come to learn, exceedingly perceptive, particularly about some of the shortcomings and illegalities of the Bill, to which I, too, referred. My hon. Friend the Member for Orpington (Joseph Johnson) referred, quite rightly, to the importance of biodiversity, but we need to look at what the Bill actually says, rather than at what we might imagine it could do, say or achieve. In this House, we are responsible for the detail of legislation. In my time here, far too many Bills have gone through without adequate scrutiny that would enable us to understand what they truly say. I stand second to nobody in recognising the importance of recognising biodiversity in our agricultural policies, but passing the Bill would not be of much assistance.

We heard a superb speech from my hon. Friend the Member for Banbury (Tony Baldry), the last surviving Ministry of Agriculture, Fisheries and Food Minister in the House. He brought to the debate his tremendous knowledge of the developing world. To be fair, the hon. Member for Glasgow North East referred to agricultural growth as the main driver of economic growth there. My hon. Friends the Member for Carmarthen West and South Pembrokeshire (Simon Hart), and for Truro and Falmouth (Sarah Newton), referred to the importance of agriculture to rural Britain, and to local food production.

I will conclude with one or two comments on the speech of the hon. Member for Stoke-on-Trent South, who introduced the Bill. I mentioned that the bulk of soya and grain goes to pigs and poultry, a fact that I think had eluded him, judging by the way that he spoke. I want to make sure that a couple of statistics that he quoted are corrected; I am afraid that they were fundamentally wrong, and it would be irresponsible of me to leave them on the record unchallenged. He said that agriculture now uses 20 million tonnes more animal feed than it did 20 years ago. In fact, the figure is

2 million tonnes. He also said that it takes 20 kg of cereals to produce 1 kg of beef, but in fact it takes about 6 to 7 kg of cereal, or concentrate food, to produce 1 kg of beef; that is the real conversion rate. In any case, as I said earlier, no ruminants are fed entirely on grain and soya, because their digestive systems could not cope with that. Clearly, if one takes out the roughage—the long material that they are eating—the consumption of cereals goes down.

The hon. Gentleman also referred to the situation in Paraguay. I do not in any way want to diminish the importance of deforestation in Paraguay, but we do not import any soya from there, so the Bill would not have an impact on Paraguay. I think that I heard him say that we should not be feeding cereals to livestock at all, all of which would mean, as I said, that we would have no pigmeat or poultry meat in this country.

We have had a lot of debate, and this is an important issue. I repeat my congratulations to the hon. Gentleman on bringing the issue to the House. I do not in any way decry his having done that; it has been a valuable morning. I hope that I have been able to persuade hon. Members on both sides of the House that the Government are totally committed to ensuring, developing and improving the sustainability of our livestock industry, but the Bill is not the way to go about doing that. We are determined to proceed in the way that I described, working with our partners to make livestock production sustainable, without the need for the regulatory process suggested in the Bill.

I hope that the hon. Gentleman and others will accept, participate in, and welcome the constructive alternative way forward that I have already offered him. I am the first to admit that the proposals have been a matter of great debate in Government, because we share the fundamental objectives of what the Bill is trying to do. We would have liked to support it if we could, but after careful analysis, some of which I have shared with the House, I am afraid that we cannot do that. Nevertheless, the debate is worth while, and the Government remain determined to proceed with the overall issue.

1.15 pm

Mr Chope: I do not know whether the promoter of the Bill, the hon. Member for Stoke-on-Trent South (Robert Flello), in the light of the very generous offer made by my hon. Friend the Minister, will seek leave to withdraw his Bill. That is open to him at any stage, and he might need time to reflect on the content of my hon. Friend's helpful speech. I hope that hon. Members recognise that it is far better to have a proper conference and debate with a response from the Department than to put this half-baked Bill into Committee and try to have that conference in Committee time, which is effectively what the hon. Member for Stoke-on-Trent South was asking us to accept in his opening remarks. He said that he realised there were a lot of contentious things in the Bill that should be discussed and so on, and that we could discuss them all in Committee.

We might be able to do so, if we were going to serve on that Committee, but I suggest that that would take a very long time. As the discussion would inevitably be constrained by the fact that each debate would have to take place in the context of an amendment or a new clause, there would be unnecessary constraint of what could be achieved.

The chance of a discussion or proper conference before the middle of next year, followed by a response from the Department, is a very good offer that, if accepted by the hon. Gentleman, will show that he has not used his slot, coming second in the private Members' ballot, in vain. He will have achieved something and it is always important, for the promoter of such a Bill, to be able to tell his supporters that he has achieved something. Whatever else happens, particularly if he accepts the offer from my hon. Friend the Minister, he will be able to say that he has achieved something. Another thing that he achieved was to bring a number of people together yesterday evening, with support from Friends of the Earth, to listen to MP4 and share sustainable food and beverages in the Attlee suite. That will be welcomed by many Members of this House and others from outside.

As the Minister said, the Bill should be about how to achieve sustainability, not whether sustainability is a good idea. I do not think that anybody who has spoken, including me, is suggesting that sustainability is not a good idea. The question is whether the Bill is the right way to try to achieve that. My hon. Friend referred to the myths around the Bill. Unfortunately, many of the myths have been propagated among our constituents, who have engaged in a letter-writing and postcard campaign. I am not sure whether Royal Mail, in its desperate situation, put them up to that or not, but those postcards and letters have been arriving in significant numbers. Most of them are based on a misconception of the Bill's provisions and what they could achieve. I suspect that many organisations said that they supported the Bill before it was published. It was published only a few days ago, and it is apparent that much of the campaign in support of it was based on a Bill—an earlier draft, perhaps—that contained provisions very different from those in the present Bill.

My hon. Friend the Minister referred to the 8,000-head dairy unit at Nocton and made the point that ruminants are fed largely on silage, grass and hay, and that ruminant diets contain only about 3% soya, yet the soya debate is the main avowed rationale for the Bill. The explanatory notes helpfully provided by the promoter state at paragraph 4, under the heading "Summary and background":

> "The driver for the Bill is the fact that much of the environmental impact of consumption of livestock produce in the United Kingdom takes place in other countries. For example, the growing of feed crops such as soy is leading to the conversion of rainforest and other wild areas to plantations. Such deforestation causes biodiversity loss and results in large emissions of climate change gases."

This is not a Bill about the destruction of the rain forest. Nobody in the House supports the destruction of the rain forest. It is an extremely emotive means of trying to get support for a proposition to say, "Vote for this, and we will save the rain forest." The sponsors have unashamedly used that method to try to exploit public opinion for their own ends. That is perfectly legitimate, but it should be recognised for what it is and exposed to public debate so that the public can see what has been happening.

My hon. Friend went on to talk about traceability and how much the Government are already doing to try to achieve that, without their needing to rely on the contents of the Bill. Going through this list, it seems to me that I might be in danger of making the first speech

[Mr Chope]

in this Parliament that is fully supportive of the Government's position on any proposition. My hon. Friend's persuasive powers have encouraged me to do so.

I entirely agree with my hon. Friend that the Bill is far too prescriptive. We should be looking for a much less prescriptive alternative. He made the alternative offer of a joint conference, coupled with the partnership approach. He referred to what is already happening with product road maps, as they are called, in the dairy, pig and livestock sectors.

I refer the House to what has been happening in relation to soya, as a result of a scheme to which my hon. Friend the Member for Bury North (Mr Nuttall) referred in his magnificent contribution to today's proceedings. He said that much work was already being done on responsible soya production. One organisation that has been set up for that purpose is called the Round Table on Responsible Soy—

Mr Nuttall: Sustainable soy.

Mr Chope: My information says responsible soy, but perhaps there is more than one round table. I downloaded it from www.responsiblesoy.org, which sets out many sensible measures being undertaken across the globe so that people engaged in the soy value chain—so-called soy value chain stakeholders—will be able to ensure that soy can be produced in countries across the world to a high environmental standard, and that there is some assurance for buyers.

I am sure that farmers who use soy in this country would much prefer to use soy that had not been produced at the expense of cutting down the rain forest, and, because of the work that organisations such as the Round Table on Responsible Soy Association are doing, developing a chain of custody model, that will be possible. At the beginning of 2011, the global market will be able to buy RTRS certified soy. The approval of the principles and criteria for responsible soy by the General Assembly took place in June 2010, and that will be implemented at the beginning of next year. Even now, in the second half of 2010, the new standard is available in the form of a certification system. I do not need to go into the full details of all that, but anybody who is concerned about the fact that the rain forest is being chopped down in order to produce soy should be able to take quite a lot of comfort from that, because it shows that the producers themselves realise that if they cut down the rain forest to produce soy, they will not be able to export that soy to markets such as the UK because people will not want to buy it.

Mr Nuttall: Those are interesting statistics. If we carry on at that rate of progress, it will not be too many years before the entire use of soy products in this country is sourced from responsible producers.

Mr Chope: I hope that that is right. Certainly, that is a much more commonsensical approach than adopting the idea of replacing imported soy with home-grown alternatives.

I drew the Minister's attention to the statistics contained in "Pastures New", a Friends of the Earth briefing on a sustainable future for meat and dairy farming. At page 10 of that document, which I obtained last night at the gathering of people interested in the Bill, under the heading "Strength in Numbers: How much soy could be replaced?" it says:

> "The RAC's research for Friends of the Earth estimates the proportion of soy bean meal that could be replaced by UK protein crops...show that: Field beans could substitute 14 per cent of soy bean, requiring 221,000 hectares...Peas could substitute 17 per cent, requiring 323,000 hectares...Lupins could substitute 15 per cent, requiring 263,000 hectares...Oilseed rape could replace 14 per cent, requiring 214,000 hectares...Sunflower could replace 17 per cent, requiring 512,000 hectares...Linseed could replace 14 per cent, requiring 425,000 hectares. In addition, lucerne silage from some 438,000 hectares of pasture or leys could replace 42 per cent of soy bean for ruminants."

As my hon. Friend pointed out, if such a replacement occurred, over half of our agricultural land would be taken over with soy replacement, and that would squeeze out the production of wheat, barley and other agricultural products, and we would no doubt have to import those as a substitute.

Jacob Rees-Mogg: I know that one of the most important aspects of agriculture policy is to ensure food security, and I wonder whether my hon. Friend is in fact saying that this Bill would fundamentally undermine food security in this country because so much of our land would be going to soya production, rather than to providing the food that we actually need.

Mr Chope: My hon. Friend, as so often, puts his finger on a really good point, and it highlights the Bill's inherent contradictions. On the one hand, the Minister will be asked to have regard to food security through compliance with clause 1; on the other, one of the main measures that the promoter intends to introduce would undermine and damage food security. I do not think that that is intentional on the part of the promoter, but when one looks at the Bill in detail one finds that it, like many good intentions that are brought before the House and converted into draft legislation, will achieve quite the reverse of what its promoter thought.

Replacing all that soya with those alternative crops is the wrong thing to do. Lupins, sunflowers and, arguably, linseed can look quite attractive in the countryside at particular times of year, but I am not sure whether many people would say that field upon field and hectare upon hectare of such crops, which are not native to the United Kingdom, would enhance our landscape.

Stephen Pound (Ealing North) (Lab): On Fridays the tradition is that, when a speaker lacks the confidence to test their argument in the Lobby, they start reading out lists of the Latin names of hermaphrodite invertebrates, or gleanings from the libertarian internet. Does the hon. Gentleman have sufficient confidence in the force of his argument to see it tested, now, in the Lobby?

Mr Chope: The hon. Gentleman is usurping the position that should be occupied by his hon. Friend the Member for Stoke-on-Trent South. I hope that the hon. Member for Stoke-on-Trent South will have a chance to respond to the debate and to explain to Members who are interested in the subject whether the Minister's offer is a good one, and whether, on the basis of it, he wishes to seek leave to withdraw the Bill.

I shall give way to the hon. Gentleman if he wishes to tell me that he wants to withdraw the Bill, because we can then move on to the next business, but I cannot force him to intervene. I am giving him the opportunity to do so, but he is declining. The hon. Member for Ealing North (Stephen Pound) knows very well the procedures of the House and exactly what the Bill's promoter and sponsors can and, perhaps, will do between now and half-past 2 if they do not want to accept the Minister's offer.

Considering that my hon. Friend the Member for Bury North spoke for an hour and a quarter, I am just getting into the beginnings of my contribution. I thought that it would be helpful not to make a speech de novo, but to make a speech that built on what my hon. Friend the Minister said. We are meant to be having a debate rather than a dialogue of the deaf, and it is a pity that at the moment there is no indication that any more Opposition Members want to engage in it.

My hon. Friend the Minister went on to say that he was keen to ensure that the Government introduce mandatory standards for the public procurement of food, but I am not sure that I am. I can understand the desire in relation to Departments, but not in relation to going further and trying to impose such a demand on the whole public sector.

Mr Paice: If I did not make it clear at the time to my hon. Friend, I should like to clarify the Government's proposal. The guidelines would be mandatory on central Government and their agencies; local government and other aspects of the public sector would be encouraged to adopt them, but they would not be mandated.

Mr Chope: I am most encouraged by my hon. Friend's response. I am glad that he recognises that it would be a mistake to impose on local government and other parts of the public sector.

My hon. Friend went on to talk about labelling. I agree wholeheartedly that we should try to get better labelling, but I fear that unless we can renegotiate our position in relation to the European Union, we will not be able to do that as easily or quickly as my hon. Friend would like.

I still do not understand why we are not able to feed food waste to pigs, as we always used to. There was an unnecessary health scare about all that, and it would surely be much better if we fed our food waste to pigs, rather than putting it into landfill or disposing of it in some other way. I hope that in due course the Government will readdress that issue.

Pigs will eat almost anything. As you may recall, Mr Deputy Speaker, it was not that long ago that a citizen was murdered in Wimbledon and it was discovered that his body had been fed to pigs. I am sure that you will be advised that that point is far outside the remit of the Bill, and, funnily enough, dealing with such issues will not be one of the burdens put on the Minister if the Bill passes into law. That is fair enough. I am illustrating the point that pigs are omnivores. It is a pity that we do not allow pigs to devour food waste and thereby the reduce the amount of soya that they consume.

Jacob Rees-Mogg: The point about food waste needs to be looked into very thoroughly. I seem to remember that the last outbreak of foot and mouth was caused by diseased waste. Before putting food waste into the food chain, it has to be treated enormously carefully. The Bill may not be doing that in the right way.

Mr Chope: My hon. Friend rightly brings a cautionary tale to bear on this. My parents used to keep two pigs—one was called Humpty, and the other Dumpty. We used to feed them all the food waste, and there was never an outbreak of foot and mouth disease as a result. Those pigs were very healthy, and, because it was a time of rationing, when they were slaughtered we did not keep all the meat ourselves, but shared it among the people in a sort of collectivist action.

Ian Paisley: Do you think they'd swallow your speech?

Mr Chope: I was pausing to take breath, so I failed to hear what the hon. Gentleman said. However, I am sure that it was very witty and pertinent, and I look forward to reading it in the *Official Report* in due course.

My next point is one that my hon. Friend the Minister made. It is about the need to concentrate on putting resources where they can really deliver some good. Effectively, what he was saying was that if the Bill was to pass into law and these onerous duties were imposed on him, his Department would have to transfer resources from where they are being deployed at the moment to other areas. That would be a mistake. I have every confidence that my hon. Friend and the Secretary of State have a grip on the best allocation of resources within their Department to meet the Government's policy objectives. If they were diverted from doing that by what is contained in the Bill, that would be a matter of regret.

My hon. Friend the Minister referred to the £2.9 billion that the Government are giving to deal with global climate change. That is a far more focused approach than that adopted by the Bill's promoter, and it is regrettable that he did not refer to it in his opening speech. He might have said, "I respect and applaud the fact that the Government are doing so much in these areas, and this Bill is, in many respects, designed to encourage them to go further." However, the Government do not need to be encouraged to go any further—they are doing more than sufficient with that £2.9 billion, which is, in anybody's language, a significant sum of money.

My hon. Friend made an important point that is perhaps sometimes forgotten by those of us who mow our grass too regularly during the growing season—that grassland is itself a reservoir of potential carbon emissions. That introduces yet another set of conundrums and dilemmas in relation to promoting healthy livestock production while ensuring that we do not increase CO_2 or CO_2-equivalent emissions.

One part of my hon. Friend's speech that he glossed over rather too quickly for my liking concerned clause 1(3), which says:

> "The Secretary of State must ensure that policies in relation to negotiations and other activities at international level, including at the European Union, are consistent with sections 1(1) and 1(2)"

of the Bill as enacted. If my hon. Friend had been perfectly frank with the House, he would have said that there is no way that that is ever going to happen unless we withdraw from the European Community.

Robert Flello *claimed to move the closure (Standing Order No. 36).*

Question put forthwith, That the Question be now put.

The House divided: Ayes 62, Noes 29.

Division No. 117] **[1.42 pm**

AYES

Abbott, Ms Diane
Alexander, Heidi
Ali, Rushanara
Bain, Mr William
Bone, Mr Peter
Brake, Tom
Brooke, Annette
Brown, Lyn
Caton, Martin
Clark, Katy
Coaker, Vernon
Connarty, Michael
Corbyn, Jeremy
Cryer, John
Curran, Margaret
Docherty, Thomas
Dowd, Jim
Durkan, Mark
Efford, Clive
Ellison, Jane
Farrelly, Paul
Field, Mr Mark
Fitzpatrick, Jim
Flello, Robert
Flynn, Paul
Godsiff, Mr Roger
Goldsmith, Zac
Goodman, Helen
Heald, Mr Oliver
Hillier, Meg
Hodgson, Mrs Sharon
Hoey, Kate
Hollobone, Mr Philip
Horwood, Martin
Hunt, Tristram
Jackson, Glenda
Johnson, Joseph
Jones, Graham
Kaufman, rh Sir Gerald
Keen, Alan
Knight, rh Mr Greg
Lucas, Caroline
McCabe, Steve
McCarthy, Kerry
McDonnell, John
Morrice, Graeme *(Livingston)*
Onwurah, Chi
Paisley, Ian
Pound, Stephen
Reid, Mr Alan
Robinson, Mr Geoffrey
Ruddock, rh Joan
Slaughter, Mr Andy
Smith, rh Mr Andrew
Soulsby, Sir Peter
Spellar, rh Mr John
Thornberry, Emily
Umunna, Mr Chuka
Walley, Joan
Whitehead, Dr Alan
Williamson, Chris
Wright, David

Tellers for the Ayes:
Stella Creasy and
Yasmin Qureshi

NOES

Adams, Nigel
Blunt, Mr Crispin
Burstow, Paul
Chope, Mr Christopher
Clark, rh Greg
Ellis, Michael
Gauke, Mr David
Gibb, Mr Nick
Greening, Justine
Hands, Greg
Hart, Simon
Harvey, Nick
Heath, Mr David
Hurd, Mr Nick
Jenkin, Mr Bernard
Kawczynski, Daniel
Kelly, Chris
Lewis, Brandon
Lidington, Mr David
Menzies, Mark
Newmark, Mr Brooks
Newton, Sarah
Nuttall, Mr David
Paice, Mr James
Penrose, John
Randall, rh Mr John
Reckless, Mark
Rees-Mogg, Jacob
Vara, Mr Shailesh

Tellers for the Noes:
Stephen Crabb and
Jeremy Wright

The Deputy Speaker declared that the Question was not decided in the affirmative because fewer than 100 Members voted in the majority in support of the motion (Standing Order No. 37).

Thomas Docherty (Dunfermline and West Fife) (Lab): On a point of order, Mr Deputy Speaker. Most hon. Members will not have had a chance to see the written statement that the Under-Secretary of State for Justice, the hon. Member for Reigate (Mr Blunt) slipped out this lunch time. I understand that he found the time to be in the Chamber earlier. The written statement says that the Government have abandoned their plans to introduce defence anonymity in rape cases. Can you clarify whether the Under-Secretary sought an opportunity this morning to make an oral statement so that hon. Members could have a chance to question him? If not, what are my options as a new Member, if I want the Minister to come to the House next week and give hon. Members a proper chance to scrutinise the announcement?

Mr Deputy Speaker (Mr Nigel Evans): Thank you for that point of order. No Minister has approached the Speaker to ask to make a statement today. However, as the hon. Member knows, it is for the Government to decide how they wish to make the announcement, whether through an oral or a written statement. Clearly, in this case, they have decided to make a written statement. Members on the Treasury Bench will have heard the hon. Member's remarks and I am sure that, if the Under-Secretary wants to make an oral statement next week, the hon. Member will see on the Annunciator screens that that is what the Government wish to do.

Glenda Jackson (Hampstead and Kilburn) (Lab): Further to that point of order, Mr Deputy Speaker. Surely the issue does not rest entirely with the Ministry of Justice. The Home Office has also been heavily engaged in the dispute, which has been running for a long time. At one point, the Government announced that the idea would be dropped, but then they reinstituted it. Given the amount of genuine fear and concern that has been expressed to me in my constituency—I know that I am not alone in that experience—surely the Home Secretary and the Secretary of State for Justice should make a statement, and then hon. Members can justifiably put questions to them.

Mr Deputy Speaker: I do not have much to add to my response to Thomas Docherty. As the hon. Lady knows, there are other avenues whereby she can raise the issue—in Adjournment debates, Westminster Hall and in questions to the Department, when they arise.

Debate resumed.

Mr Chope: Clause 1(3) has the requirement that

"The Secretary of State must ensure that policies in relation to negotiations and other activities at international level, including at the European Union, are consistent with sections 1(1) and 1(2)."

As the Minister said, he would not be in a position to ensure that. I submit that it is not open to anybody in the Government or the House to ensure that various policies are consistent with what is going on in the European Union on matters about which we do not have the final say and are subject to qualified majority voting. As I understand it, there is a discussion at this very time on whether the EU budget should increase by 2.9% or more next year, but the House has no final control of that. Clause 1(3) is rather like saying, "The Prime Minister shall ensure that the UK contribution to the EU budget does not increase." We do not have the power to do that; just as my hon. Friend the Minister has no power to ensure that EU agriculture policy is as we would wish it to be.

It is relevant in that context to mention a very helpful report by Friends of the Earth that shows how EU subsidies currently encourage unsustainable practices, which is obviously at odds with the Bill. Friends of the Earth has calculated that some £700 million of English taxpayers' money was spent on propping up factory farming through the common agricultural policy in 2008. Its report states:

"Small farms are losing out to factory farms—the most damaging link in a chain that connects the food on our plates to forest destruction...UK factory farms also contribute significantly to the UK greenhouse gas emissions and undermine rural livelihoods."

The Friends of the Earth figure of £700 million is

"based on the best available information and calculated on the basis of subsidies"—

British taxpayers' money that goes to the EU and is then recycled for the purpose of subsidising parts of agriculture—

"for cereal production...Export subsidies which largely go to companies and processing industries...Untargeted direct payments which are increasing money being received by the intensive pig and poultry sectors...Historical payments that award the biggest payments to the farms that produced intensively in the past...Dairy payments that are based on historical production quotas"

and

"Lowland grazing livestock untargeted subsidies that do not support extensive models adequately and therefore continue to support the increasing tendency to intensify or exit the farming sector".

The CAP was last reformed in 2003. We hope that a more substantial reform is about to take place, but I will believe it when I see it. The reform is the one we were promised when Mr Blair gave away a large part of our rebate on the basis that the CAP would be reformed. The next few months will be decisive in determining whether we will get anything significant in return for giving up that rebate, but the early suggestions are that we will not get anything like what we are looking for in that revision of the CAP.

I predict that because the word "sustainable" is rather trendy at the moment, there will be a lot of guff about sustainable this and sustainable that in the CAP reforms, but economic sustainability, which my hon. Friend the Member for Bury North and others mentioned, will probably be omitted. A proper recognition of, and reference to, economic sustainability has been missing in this debate. I take the view that the CAP is not only environmentally unsustainable—indeed, it undermines environmental sustainability—but economically unsustainable. I am sure that my hon. Friend the Minister will make those points in his typically tough and uncompromising fashion when he goes to negotiate CAP reform. I am sure he will tell the French that although we agree on certain aspects of defence, we need to go a lot further before we agree on support for the agricultural sector.

Interestingly, the Bill contains quite a lot of material that is relevant, or could be relevant, to the second Bill on the Order Paper—the Public Bodies (Sustainable Food) Bill, promoted by the hon. Member for Stoke-on-Trent North (Joan Walley), who has a long-standing interest in improving the quality of food available in this country. Last night she introduced me to somebody from "The Food Programme," and we were talking about that Bill. I am sure that if the hon. Lady were to seek to participate in this debate, there would be sufficient scope for her to make some of the points relevant to her Bill under the umbrella of—

Mr Deputy Speaker (Mr Nigel Evans): Order. Mr Chope, could you restrict your comments to the Bill that we are discussing now? Let us not move on to the second Bill. Clearly, if you are keen for the hon. Lady to speak to her Bill, you would resume your seat and we could move on.

Mr Chope: Mr Deputy Speaker, I am not sure whether I am in a position to be able to say that the hon. Lady can introduce her Bill. All I am saying is that there is quite a lot of common ground between what is in her Bill and what is in the Bill before us, and that because she has not participated in this debate so far—

Mr Deputy Speaker: It is up to the hon. Lady whether she wishes to participate in the debate on this Bill or not. Please will you now confine your remarks to the Bill before us?

Mr Chope: Mr Deputy Speaker, I have made the offer—made the point—and as you rightly say, it is a matter for the hon. Lady whether she wishes to take up the suggestion.

On the issue of the further duties being placed on the Secretary of State to ensure that there is no increase in the proportion of meat consumed in the United Kingdom that is imported, as my hon. Friend the Minister said that is prima facie contrary to World Trade Organisation rules, and it is probably against EU rules as well, and yet somehow it has found its way into the Bill.

Mr Nuttall: I am concerned that section 1(4) refers only to the proportion of meat consumed. Would my hon. Friend like to comment on why he thinks it does not refer to dairy products?

Mr Chope: I cannot speak for the promoter of the Bill; and unless he seeks to intervene to clarify that matter, I fear that it will remain unanswered.

The final point that I want to make is that there is a real muddle in the Bill about its extent and application. As my hon. Friend the Minister said, the Bill purports to relate to England and Wales, despite the fact that Wales has devolved responsibility, but the body of the Bill contains all sorts of references to applicability to the United Kingdom, and indeed to countries overseas. I think it shows that the Bill was cobbled together at the last minute—but that is not to suggest that the hon. Member for Stoke-on-Trent South put the Bill together at the last minute.

I have a suspicion about what happened—I do not know whether I am correct, but it has often happened in the past. Hon. Members bring forward a private Member's Bill. They get it drafted, but they are not quite ready to have it printed because they are waiting for the Government to provide an answer on various points. Then when they get the Government's answer they realise that the Government are rather against a lot of the Bill's provisions, so they redraft the Bill, perhaps on an iterative basis. That means that the Bill is redrafted very close to the time when it should be presented. The consequence is that it contains inconsistencies.

Robert Flello *indicated dissent.*

Mr Chope: I give way to the hon. Gentleman.

Robert Flello: The hon. Gentleman has a tremendous reputation in the House, both for the ability to talk and for his concern for the democratic process in this place. Just to clarify the point for him, the Bill in its original form was subjected to severe and detailed amendment following a discussion with the Minister, and the new version of the Bill was put together following consultation with a range of organisations, not least the National Farmers Union. It has had a lot of discussion and a lot of planning in its current form; it was not rushed through. It took a little bit of time to prepare and went through a few iterations to ensure that it would have credibility and meet with understanding in the House.

Mr Chope: I am grateful to the hon. Gentleman for that, but it makes it all the more disappointing that the Bill, notwithstanding all that careful work that has been done on it, contains such fundamental flaws as it is presented to this House. If we are to ask hon. Members to take up time examining Bills in detail in Committee, those Bills should be in a much better state before they go to Committee than this Bill is in. For that reason, were this matter to come to a vote, I would vote against giving the Bill a Second Reading.

2.10 pm

Jacob Rees-Mogg (North East Somerset) (Con): When I was a child, I had a mug that detailed the wonderful and famous lines:

"Let the wealthy and great
Roll in splendour and state.
I envy them not, I declare it,
For I eat my own lamb,
My own chickens and ham;
I shear my own fleece and I wear it.
I have lawns; I have bowers.
I have fruits; I have flowers,
The lark is my morning alarmer.
So jolly boys now,
Here's God speed the plough.
Long life and success to the farmer."

Joan Walley (Stoke-on-Trent North) (Lab): On a point of order, Mr Evans. I have come here today to support the Bill promoted by my hon. Friend the Member for Stoke-on-Trent South (Robert Flello) and to introduce the Second Reading of my Public Bodies (Sustainable Food) Bill, on behalf of many thousands of people in the UK who care about food, who do not want poetry recited in the House of Commons and who, in the run-up to the 800th anniversary celebrations of the Magna Carta, want this place to be dealing with real issues about sustainable food. Is it not time that the business leaders of the House of Commons, with Mr Speaker and you, Mr Deputy Speaker, find a way to deal with Bills such as mine, which are not mischievous, which deserve to go into Committee to be properly discussed, in the interest of public health, and which are supported by organisations such as Sustain? People expect the House of Commons to give a proper hearing to the real debate, so what can be done?

Mr Deputy Speaker (Mr Nigel Evans): I will bring the hon. Lady's comments to the attention of Mr Speaker on Monday morning. I know how frustrating a private Members' day can be when you have the second, third or fourth Bill to be presented; I am a veteran of Friday mornings and I have been fortunate enough to have had several private Members' Bills, one of which had fair wind from the Government and sailed through. The others did not, so I know how frustrated she might be. The procedures we are following are set down in Standing Orders and, as I say, I will bring her comments to the attention of Mr Speaker on Monday morning. Before Mr Rees-Mogg resumes his speech, may I say that I hope he will confine his comments to the Bill and there will be no further repetitions of the poetry, as interesting as it was?

Jacob Rees-Mogg: Thank you, Mr Deputy Speaker. I would not, of course, wish to repeat the poem, but I think it reminds us of the importance of supporting farmers. As I said in an intervention on my hon. Friend the Member for Bury North (Mr Nuttall), who made a quite brilliant speech, our countryside was made by God and the farmer; it was not made by bureaucrats in Westminster or in Whitehall. It would be sad to see in this Bill the final triumph of bureaucracy—of the view that the man in Whitehall really knows best—with a range of things covering farming and agriculture to be decided by one person in Whitehall, rather than by the multifarious decisions of farmers across the world and, in particular, in our own country.

Let us examine every detail, clause and part of this Bill to see what it really means. When we do that, we find that it divides neatly into two parts; there are two clear options for us to examine. The Bill could be re-titled "Sustainable Livestock (Motherhood and Apple Pie) Bill", a Bill that everybody agrees with and thinks is wonderful. However, that raises a question of parliamentary procedure. Is it right for us to pass laws that do not actually do anything specific, but just talk vaguely about how nice the world could and should be, if only we all clubbed together, rallied round and jollied along?

I have great doubts about the seriousness of the Bill as a proposition. We could go back to motherhood and apple pie: I imagine that apple pie would be the responsibility of DEFRA, because it is food, and that motherhood would be covered by the Secretary of State with responsibility for welfare, but this is not how laws ought to be made. They should deal with specifics and detail and should have causes and consequences; otherwise we get the vagueness, vagary and randomness of our laws being decided in the courts. If the Bill is merely aspirational, we should not be debating it at all and the issue should come before the House not in this format but in a general debate.

Of course, I want the rainforests to flourish, of course I want farming to be sustainable and of course I want people to eat British meat. If they have any sense they will buy their meat from Somerset, which is well-known for providing the best and most glorious cuts of meat in the world. Some people like Kobe beef, but I think it rather fatty and that one can get better beef from Somerset. That is the answer to most of our food problems. I want my eggs from Somerset too. There is an egg factory, or poultry plant, near Keynsham in Burnett—a wonderful place that I have visited. It is a small family operation that is committed to the highest standards of food production, but does that mean there

should be a law that my friend from Ulster, the hon. Member for North Antrim (Ian Paisley), should eat only Somerset eggs? He might think that a great imposition on him and his fellow Ulstermen, and we know what Ulster says when it does not want to do something—usually, no.

We do not want this kind of legislation. We are talking about public procurement of livestock produce. Is that just an aspiration? If so, it is probably one that the Government have anyway. If clause 1(2)(a) is aspirational, it is pointless because that is already the Government's hope and aim. Clause 1(2) would place a duty on the Secretary of State in relation to sustainable livestock and

"providing appropriate public information and food labelling".

I do not see a connection between the sustainability of livestock and the suitability of labelling, as they are different things. We are all in favour of honest labelling. We have heard terrible scare stories about chickens being injected with water and salt, which sounds a pretty ghastly combination. I can tell hon. Members that that does not happen to Somerset chickens. Of course, such food should be labelled as chicken, salt and water rather than just as chicken, but that is a matter for the Government to deal with through other means and regulations, not through a vague responsibility for the Secretary of State for Environment, Food and Rural Affairs.

Clause 1(2) also addresses "sustainable livestock practices" research, but where will the money come from? We have sat in the House and listened to erudite speeches on both sides about how we should cut expenditure and raise taxes and how to afford the enormous Budget deficit that we have been left by our socialist friends. The deficit will not be magicked away, abracadabra-style, by passing more costs on to Secretaries of State. We must be responsible about what we wish for, how we go about getting it and the costs we wish to impose.

Food waste has been addressed in a wonderful discussion about pigs and what they might decide to eat. I had hoped that someone might mention the Empress of Blandings, the only pig in history to win the silver medal at the Shropshire show for three successive years. It ate a vast quantity of potatoes every day and was more than happy to eat waste food. If we are not careful, however, we will risk reintroducing problems such as foot and mouth disease, which cost the country, the taxpayer and Her Majesty's Government billions of pounds to put right. There has to be a sensible balance when it comes to dealing with food waste.

Mr Nuttall: I can understand it being necessary to reduce food waste, but what does my hon. Friend think could possibly be meant by

"finding sustainable methods for use or disposal of…food waste"?

Jacob Rees-Mogg: Sustainable methods of dealing with food waste conjures up all sorts of nasty thoughts. In the 19th century, there were people who went round collecting what was politely described as night soil. It was then taken to farms and used as a fertiliser. Night soil was replaced by guano, which is the same thing, really, but from seagulls. It made a great deal of money for one particular family, who live in North Somerset, rather than North East Somerset. My hon. Friend is right to conjure up thoughts and horrors about what might be done in the recycling of food. We do not want to go back to the days of people collecting night soil. Mr Bazalgette and the sewage system that was installed in the 19th century are more capable of dealing with some waste products than the means perhaps suggested in the Bill are.

As for

"changing the subsidies available to and support for farmers",

I come back to my question: is the Bill a sort of parliamentary wallpaper—a wish-list of what we want—or serious business? I doubt that there is an hon. Member, an hon. Friend, a right hon. Member, a right hon. Friend or an hon. and gallant Member who does not want some reform of the common agricultural policy and a change to the subsidy system that seems to make it cheap for the French to produce food but comes down on our farmers like a ton of bricks. There is a uniform view that that should happen, but there is one grand obstacle. There is entente cordiale, as long as it is not about agriculture. As soon as it is about agriculture, we are back to Agincourt and Crécy. I will not go on about Agincourt and Crécy because, although I know that those two battles are particular favourites of yours, Mr Deputy Speaker, I feel that they are not immediately pertinent to the Bill, but the behaviour of the French in matters of agriculture is. If we think of the French, we need only think of the riots that we had the other day; French students do that day in, day out.

Mr Deputy Speaker: Order. We are now going very wide of the Bill. Would the hon. Gentleman bring his comments back to the contents of the Bill?

Jacob Rees-Mogg: I was talking about subsidies and how we cannot do what the Bill says because the French will not let us. They will take to the streets if we try to attack subsidies across the European spectrum. People in this country—Ministers and even Prime Ministers, with all the authority that Prime Ministers have—have not been able to wean the French off their subsidies. We may share a Navy with them, but we find it difficult to share subsidies so easily.

The Minister will also have a duty to look at

"the effectiveness of existing programmes".

If he is not already looking at their effectiveness, he is an idler and should not be in his job. I know that the Minister is far from being an idler; he is well known for being one of the most assiduous Ministers in Her Majesty's Government, and he is the friend of the farmers. He will, therefore, be doing that already, so we are back to a grand and jolly wish-list of nice-to-do things.

Let us review subsections (1) and (2) of clause 1, headed "Duties of the Secretary of State", as if they were not a wish list, because that is the frightening alternative. If we are talking about measures that are grand and good and fine and dandy, this should not be a Bill, but if it is real and costed and expensive and a burden on farmers, we should oppose it as a Bill, because it would be ruinous for our agriculture.

Our farmers have had a terribly difficult time in recent years. The subsidy system has changed, and they have been hit by various disasters—none of them the fault of Governments, particularly, but disasters none the less. Tuberculosis in cattle has devastated dairy

[Jacob Rees-Mogg]

farming in North East Somerset. Where there used to be field after field of cattle, they have gone. The farmers have gone out of business. Where there were 10 dairy farmers, there is now one, or, if we are lucky, two. That is partly TB, partly foot and mouth, partly milk quotas and partly regulation.

Are we now to say to the few farmers who have continued—who have striven and worked hard—that all their effort is in vain because though they were scourged with whips before, now they will be scourged with scorpions? Perhaps the Bill should be renamed the Scorpions Bill for that purpose. If it is serious in its purpose and purport, it would be very bad for our farmers. It would place extra rules on them, and would make their practices subject to a higher standard of rules than applies to others.

I have already mentioned the chicken farmer in North East Somerset, in Burnett, and that fine family who attend to their chickens there. They are out-competed, day in, day out, by Thai production. Hon. Members may think that Thai eggs are not really what they want. They may feel that Thai chicken is not their cup of tea. It is not mine, certainly; it tends to be a bit spicy. We do not want to place further regulations on farmers in North East Somerset, Ulster, Scotland, Wales or the whole of the rest of England, or even Gloucestershire. We do not want to attach regulations to our farmers that will put them out of business. That would do nothing but help foreign farmers, particularly our European friends and sometimes allies.

Mr Peter Bone (Wellingborough) (Con): Outrageous.

Jacob Rees-Mogg: I appreciate that sedentary comment of outrage from my hon. Friend. That is one of the issues, if the Bill is real. It applies also to increasingly onerous tests on food labelling. We already have bonkers food labelling regulations from the European Union. For example, if one buys a Parma ham and chops it up in Westminster, one cannot then sell it as Parma ham. The EU is so protective about food labelling for its friends that there are very limited things one can do. We do not have a system that is very onerous for our farmers, and nor should it be. We need to have a sensible balance that keeps farmers in business, and does not over-regulate them and destroy their livelihood.

If we are really going to change the subsidies, we must do so fairly. I was once a candidate for the seat of The Wrekin in Shropshire, where there was a sugar processing plant. The French decided, when they held the presidency of the European Union, that they would change the subsidies for sugar beet production. They abandoned that as soon as their presidency ended, perhaps not surprisingly. People made long-term investment decisions on the basis of that subsidy. It is therefore very unfair if the Government turn around and say that the subsidy we give you today and promise will be there for ever is gone tomorrow, because businesses cannot then invest.

I am against subsidies in principle. We want get to free trade in agriculture. That is a tremendously important ambition, but we have to do it in a staged process. Like alcoholics whom one cannot necessarily wean off the bottle straight away, one cannot wean industry off subsidies overnight. Industry expects those subsidies for the investment decisions that they make, reasonably and rationally, and it is tremendously important that long-term decisions are made.

Mr Nuttall: On the question of subsidies, is my hon. Friend aware of the NFU's view that in order to encourage arable farmers to switch production to protein crops

"they would need to be incentivised by at least £100-£200 per hectare"?

Jacob Rees-Mogg: I thank my hon. Friend for another invaluable contribution to the debate. I have indeed seen the NFU's briefing and the expensive process that would come about if some of this was done. We cannot afford that extra £100 to £200 per hectare to subsidise farming. We need to come down on all forms of public expenditure, and Bills that propose more expenditure are rotten Bills—if they are indeed real Bills. On the second half of this point—the first half was about whether the Bill was just wallpaper—if the measure is real, we cannot afford it, and neither can the British people.

I want to stand up for the British consumer, who never seems to get a look in. We never talk about the fact that having cheap meat is great. It improves people's standard of living. They can afford to buy food that used to be the preserve of the wealthy. The fact that more people eat meat today than ever before is good. That has come about because people are more prosperous, but also because meat is cheaper.

Clause 1(4) states:

"The Secretary of State has a duty to ensure that the steps taken in accordance with this Act do not lead to an increase in the proportion of meat consumed in the United Kingdom which is imported."

If that is, in fact, rank protectionism, we should treat it with the deepest suspicion. The House was much divided over the corn laws, the argument for which was cheap bread. The argument against the Bill may well be cheap meat. I want the shoppers of North East Somerset to be able to get access to affordable, good-quality meat and not to have the wealthy and great telling them that they cannot afford that meat and that they must only have vegetables, or something terrible like that.

Most people do not really like vegetables, particularly people who are meat-eaters. Those of us who are meat-eaters could do with a few chips on the side, but we do not want to be forced by Opposition Members to eat our greens, whether they be cauliflower or cabbages, spinach or marrows, turnips or carrots. I particularly dislike carrots, and I remember that George Bush Senior got into terrible trouble—

2.30 pm

The debate stood adjourned (Standing order No. 11(2)).

Ordered, That the debate be resumed on Friday 10 June 2011.

Business without Debate

PUBLIC BODIES (SUSTAINABLE FOOD) BILL

Motion made, That the Bill be now read a Second time.

Hon. Members: Object.

Bill to be read a Second time on Friday 21 January 2011.

FREEDOM OF INFORMATION (AMENDMENT) BILL

Motion made, That the Bill be now read a Second time.

Hon. Members: Object.

Bill to be read a Second time on Friday 21 January 2011.

SAFETY OF MEDICINES BILL

Motion made, That the Bill be now read a Second time.

Hon. Members: Object

Bill to be read a Second time on Friday 19 November.

Joan Walley (Stoke-on-Trent North) (Lab): On a point of order, Mr Deputy Speaker. The number of the objections that there have been to valid private Members' Bills once again brings into debate the business of the House, the way it is run and its fitness for purpose. The matter urgently needs to be discussed with the Leader of the House.

Mr Deputy Speaker (Mr Nigel Evans): I have nothing to add to that point of order, other than what I said earlier.

Lewisham Healthcare NHS Trust

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Randall.)*

2.31 pm

Jim Dowd (Lewisham West and Penge) (Lab): May I say in passing that I agree totally with the comments of my hon. Friend the Member for Stoke-on-Trent North (Joan Walley)? The private Member's Bill process in this place is chaotic and we need to overhaul it.

I am grateful to Mr Speaker for giving me the opportunity to raise an important local issue. This is the first time, Mr Deputy Speaker, that I have spoken in the Chamber under your wise and sagacious chairing of our proceedings. I welcome you to the Chair.

I welcome the Minister to his place. We shared a number of experiences—I found them entertaining; I am not sure whether he did—a few years ago on the Health Committee. I suspect that if most members of the Committee had been asked whether they thought he would be occupying his current position, the view might have been that he would not. However, he has got there, and regardless of the Government arrangements, he got there completely on merit. I wish him well in the post that he holds and in his efforts to discharge his duties.

May I point out a mistake on the Order Paper which is entirely of my making? I tabled the title that appears on the Order Paper for the debate, but I have not been keeping up with developments. Lewisham Hospital NHS Trust is now Lewisham Healthcare NHS Trust. It assumed responsibility for primary care functions some 100 days ago and has now expanded to the health care trust. There was supposed to be a celebration yesterday of those first 100 days of responsibility for primary care, but that was cancelled. I am sure there were a number of reasons, but the disruption caused by the events that I am about to describe may well have played a part in that.

University hospital Lewisham has made remarkable progress over the past dozen years or so, the last eight of which have been under the stewardship of the current chair of the trust. For many years previously it was the poor relation in inner south-east London, without the kudos or connections of its much more illustrious neighbouring cathedrals of medicine in the shape of Guy's, St Thomas' and King's College hospitals. In 1990, under the previous Tory Government, it was used as a pawn and a make-weight in the ill-fated attempt to set up the Guy's and Lewisham self-governing trust. When that ploy failed, it was separated as Guy's was linked to St Thomas', and it has prospered ever since as an independent trust.

The notable achievements in recent times and the improvements in services over recent years have included the more than £70 million private finance initiative project at the Riverside block and improved maternity services, including one of the best birthing centres in London and therefore in the country. There have been improvements in paediatrics in the primary care centre. It has achieved some of the lowest hospital acquired infection rates in the country. During a recent stay in King's College hospital I acquired MRSA, so that has a certain resonance with me. Just 10 days ago, work commenced on the latest stage of building there, which will run through until autumn 2011, including a new

[Jim Dowd]

urgent care centre, upgraded and refurbished A and E facilities, new and refurbished children's and adults' out-patient suites, and a new main entrance and reception.

The financial management of the trust has been outstanding in recent years. Earlier in the year, as part of the Challenge Trust Board funding scheme, KPMG was asked to review the trust and measure its performance against nine domains: good business strategy, financial viability, well governed, capable board to deliver, good service performance, clinical leadership, local health economy, clinical strategy and performance. On a traffic light rating, they were all well into the green, as a net result of which the Challenge Trust Board awarded Lewisham £4 million to pay off historical cash deficits, and KPMG concluded that the

"Trust has rectified the problems that caused the trust to fall into deficit and has a platform for a medium term sustainable position".

This organisation has not only done well; it continues to do well. It has set its ambition to become a foundation trust within two or three years. It has demonstrated the benefits of strong executive and non-executive leadership. Why then has the chair not been reappointed, or, to put it in plain language, why has he been sacked? He has been a personal acquaintance of mine, colleague and good friend for more than 30 years, and we have served variously on a number of organisations, including Lewisham borough council and Lewisham and North Southwark district health authority before it was abolished by the previous Conservative Government in 1990.

I raise this matter not at the chair's request—he is a man of such natural modesty and charm that if it was left to him, I am sure that I would not be allowed to raise it at all—but because I want to express my outrage at the way in which he, and by extension, Lewisham Healthcare NHS Trust and the people of Lewisham have been so badly treated by the travesty of a process that has resulted in his not being reappointed. I also have to raise it because although the Appointments Commission has a complaints procedure, under item 8 on remedial action, it says that what shape such remedial action may take will vary from case to case, but in general one of the principles that will apply is that

"where an appointment has been made, this cannot be overturned."

So clearly the die has been cast and we will have to live with the consequences.

The chair was appointed in 2002, and he was re-appointed, uncontested, in 2006, with the term ending on 31 October this year, just a few weeks ago. The process to find a new chair was implemented in August, and, under the regulations, he could serve a maximum of only two more years in the post before reaching the 10 prescribed. That was well understood by everybody involved in the health care community in Lewisham, by the chair, and by those who encouraged him to stand. Such is his reputation among the stakeholders, partners and others with knowledge of health care provision in Lewisham that many of them encouraged him to stand for those extra couple of years, including Ann Lloyd, the appointments commissioner for London, and Sir Richard Sykes, the then chair of NHS London, to get Lewisham Healthcare NHS Trust to the verge of foundation trust status.

Everybody understood the process. As the regulations said:

"At the end of an individual's second term of office the post will automatically be the subject of an open competition. The office holder will be free to apply provided they have served less than 10 years in the same post and will be considered alongside other candidates."

Everybody knew that to be case. However, such is the support for the current chair of the trust that, to my certain knowledge, many other candidates—including a former Member of Parliament—who would have applied had the competition been completely open, did not do so out of respect for, and trust in, the work that the existing chair of the trust had done. Either knowingly or unknowingly, the Appointments Commission and the strategic health authority have between them served to reduce the pool from which a suitable candidate to chair the trust might be found.

Most people understood that the current chair would serve for another two years, and that during that period a completely open competition would be held, in which all those who had any suitability or intention to become the chair could have stood. By skewing the process, as they have, those organisations have denied the people of Lewisham the opportunity to look at the best possible candidates.

Paul Farrelly (Newcastle-under-Lyme) (Lab): My hon. Friend is certainly not alone in his concern about such issues. The west midlands regional health authority has decided not to appoint the chairman of the University hospital of North Staffordshire, Mike Brereton. Today, indeed, is Mike's last day, yet the authority has not given any reasons either to the public or MPs. It has failed to draw up a shortlist for a successor, and I now learn that it has made a temporary appointment for one year. May I put on the record our appreciation of Mike Brereton's long record of public service in north Staffordshire, and our deep concerns, like that of my hon. Friend in his area, about the west midlands regional health authority's secret and unaccountable way of going about the process?

Jim Dowd: I am grateful to my hon. Friend. Incidentally, I gave way because, if I had not, he might have punched me and I did not want to tempt providence. I accept his point, however. The Appointments Commission will of course be abolished in a couple of years, but unreasonable, undue and improper influence has been exerted over the appointment of people to such positions, and the losers will ultimately be the local communities that they attempt to serve.

I recognise readily that there is no automaticity to reappointments, and nobody should expect there to be. That point was equally well understood by all those involved in the process, and I offer no comment on the ability or personal qualities of the chosen successor. I have met her just the once and formed a mildly favourable impression. The only reason why I met her is that my constituency boundary changed at the last election to include parts of the borough of Bromley, and she is chair of Bromley primary care trust. I have no reason to believe that she is complicit in any of the mishandling and misconduct that I believe has taken place.

At best, there has been incompetence and, at worst, improper interference. A couple of weeks ago, Professor Mike Spyer, the interim chair of NHS London, contacted

the existing chair of the Lewisham Healthcare NHS trust to inform him that the Appointments Commission would not be reappointing him as he could be appointed for only two years, which was insufficient time to see the organisation through to foundation trust status. That is complete and utter nonsense. That fact was known before NHS London and the London commissioner, among others, encouraged him to stand for re-adoption as the chair of the trust.

The existing chair then received a letter from the Appointments Commission, which explained that the decision not to reappoint him

"was based on the advice of the interview panel and recommendation of the appointments commissioner and represented the overall best 'skill mix' for the board."

That is complete and utter baloney. It is nothing more than an unconvincing collection of cliché and waffle to hide the fact that the board had clearly made up its mind. Why has the board not had the correct skill mix previously, I wonder? Why has it asked the existing chair to stay on until the end of the year? Because of its incompetence, the new chair cannot take up the post because of her position with Bromley PCT until the end of the year. The board has asked the existing chair to stay on for an extra couple of months, but clearly the skill mix on the board during that time will not be optimum, by definition. It speaks volumes about the character, dignity and integrity of the existing chair—and his dedication to Lewisham hospital and to health care in Lewisham—that he has said that he will stay on to facilitate the changeover to the new chair.

I contacted the Appointments Commission as soon as I heard about this outrage. I sent a letter to its chair, and she replied:

"I am sorry that you have concerns about the manner in which this campaign was conducted and hope to reassure you that it was carried out in line with best practice and in accordance with the Code of Practice issued by the Office of the Commissioner for Public Appointments."

Well, Ms Anne Watts CBE, chair of the Appointments Commission, you have not reassured me at all. Incidentally, the letter plumbs new depths of disingenuousness by telling me that for "reasons of confidentiality" Ms Watts cannot confirm whether the existing chair was a candidate for the post—how very unco-operative. I had to make my own inquiries into the matter. She went on:

"Seven candidates applied, 3 of whom subsequently progressed to the interview stage…An excellent and experienced candidate with a sound background in NHS leadership locally was identified from among those interviewed, and an announcement regarding an appointment will be made in due course."

Yes, that candidate was appointed—that candidate was the existing chair, but he was not appointed as the chair of the trust, though.

I received a letter from the incoming chair in her capacity as the chair of Bromley PCT. It is dated 5 November, and says:

"Thanks to the generosity of the outgoing chair…I am able to stay in Bromley until 31 December, which gives me time to ensure that appropriate transition measures are in place. However, I shall start my induction in parallel with working my notice at Bromley."

That is fine. However, that letter is dated 5 November, and I know for a fact that until 10 November—five days after the letter was written—the existing chair in Lewisham had not made the decision to stay on until 31 December. I do not know who is trying to convince whom of what, but I suspect that there has been a degree of duplicity; as I say, I do not expect the successor chair to have been part of that, but there has been.

The whole process has been chronically mishandled. The strategic health authority, London NHS and the Appointments Commission have completely let down the institution of Lewisham hospital and the people of Lewisham by their abject failure to ensure that the best available candidate was appointed to the post. The new chair might well survive a totally open process in future, but because there has not been one, we shall never know.

Clearly, I will need to establish a working relationship with the trust and its executive and non-executive members—previously, that has been very good—and I will need to establish such a relationship with the new chair as we work for the common purpose of promoting the interests of the people of Lewisham. But that has been made extremely difficult by this astonishing catalogue of failure.

2.48 pm

The Minister of State, Department of Health (Paul Burstow): I begin by congratulating the hon. Member for Lewisham West and Penge (Jim Dowd) on securing this debate and thanking him for his kind words of introduction. I, too, have fond memories of those days in the Health Committee, on which we served together, inquiring into a variety of issues.

May I take this opportunity to record the Government's clear recognition of the hard work and dedication shown by NHS staff in Lewisham and beyond? The hon. Gentleman documented the many successes of the trust over a number of years, and clearly set out his concerns, analysis and interpretation of the events that led him to make these points in the House today.

I have to tell the hon. Gentleman that it is not appropriate for me, as a Minister, to comment on the appointment of the chair of Lewisham Healthcare NHS Trust—or, for that matter, any trust. The process for appointing NHS chairs is very clear and has not changed since May this year. The Secretary of State for Health, whoever they may be, currently delegates powers of appointment to the Appointments Commission. First, all vacancies are advertised publicly through appropriate channels. Selection panels then assess each application, with representations from the organisation and an independent public appointments assessor. The final decision is made by the Health and Social Care Appointments Committee. The Appointments Commission has responsibility for making sure that the process is fair, open and impartial, and that appointments are based on merit alone. It is not a process that politicians, on either side of this House, should seek to influence.

I checked with the trust and the Appointments Commission—I am sure that the hon. Gentleman would expect no less—and they both told me that they have clearly followed the processes laid down. If there are ever any concerns that due process has not been followed, this should be reported to the Commissioner for Public Appointments, who regulates and audits the process. Clearly, the hon. Gentleman needs to look again at the response he has received and consider the matter further. It is not, I am afraid, something for Ministers to intervene in or comment on. However, this debate is on the

[Paul Burstow]

record, and I will ensure that all parties to the process are aware of the points that he has made. It is an important part of these debates that such matters are drawn to the attention of the relevant authorities.

By way of clarification, I remind the hon. Gentleman that it is, as he said, exceptional for chairs to be appointed beyond two terms. This is not a sacking. As he says, there is no right to automaticity in succession from one term to another when it comes to the end of the second term. In the year ending March 2010, only three chairs across the whole NHS were reappointed for a third term. That is equivalent to only 0.36% of all appointments made that year—fewer than one in 2,500 appointments. Securing a third term as chair is extremely rare, and the decision should not be seen as any judgment on the incumbent's performance. As the hon. Gentleman rightly observed, the performance of the trust is exemplary.

I should like to take this opportunity to pay tribute to Mr Gnanapragasm for his work and his public service in his role as chair, and for the fact that he is maintaining that role during the ongoing transition. He has served Lewisham Healthcare NHS Trust well for eight years—the hon. Gentleman set out that record very clearly—and I wish him the very best with what he does next.

In the new year, as the hon. Gentleman said, the current chair of Bromley PCT, Ms Butler, will take up the position. I believe that she has an excellent reputation, and I know that she is looking forward to the opportunity that this new role presents. As the hon. Gentleman knows, it is an interesting time in Lewisham in respect of health care. On 1 August this year, the trust merged with Lewisham Community Health Services to create Lewisham Healthcare NHS Trust. This is one of the first integrations of its kind in the country, bringing into the trust 700 people working in the community. That will afford the people of Lewisham a seamless link between primary, community and hospital care. It will therefore be a busy time for the senior managers in building on this and continuing to improve health care for the hon. Gentleman's constituents. A strong and well-supported chair is a key element in delivering that transformation.

I should like to put on record my best wishes to Ms Butler for every success in this new role. I am encouraged that the hon. Gentleman has been favourably impressed on the occasions he has met her. I am sure that on future occasions he will have the opportunity to develop the important good working relationships that hon. Members in all parts of the House need to have with those charged with managing NHS organisations.

In a debate such as this it would be inappropriate for me to comment on the detailed process. I hope that the hon. Gentleman will accept that I have set out the position as it stands. I undertake to ensure that his concerns are passed to those responsible for the process, and I thank him for raising these matters today.

Question put and agreed to.

2.54 pm

House adjourned.

House of Commons

Monday 15 November 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

EDUCATION

The Secretary of State was asked—

Free Schools

1. **Steve McCabe** (Birmingham, Selly Oak) (Lab): What qualifications teachers employed by free schools will be required to have. [23515]

The Secretary of State for Education (Michael Gove): Innovation, diversity and flexibility are at the heart of the free schools policy. We want the dynamism that characterises the best independent schools to help drive up standards in the state sector. [HON. MEMBERS: "Hear, hear."] Oh, thank you. In that spirit, we will not be setting requirements in relation to qualifications. Instead, we will expect business cases to demonstrate how governing bodies intend to guarantee the highest quality of teaching and leadership in their schools. No school will be allowed to proceed unless its proposals for quality teaching are soundly based. Ensuring that each free school's unique educational vision is translated into the classroom will require brilliant people with a diverse range of experience.

Steve McCabe: I am grateful for that answer. *[Interruption.]* I am, indeed. My only question is, if we recruit too many untrained and unqualified teachers, does the Secretary of State fear he will end up presiding over the Department for dumbing down?

Michael Gove: That was a brilliantly couched question, which reflects the many years that the hon. Gentleman spent, with profit, in the Government Whips Office. I think that the Department for dumbing down was presided over by my predecessor, the right hon. Member for Morley and Outwood (Ed Balls), during his three years as Secretary of State. As our new schools White Paper will point out when it is published, we will do everything possible to increase the prestige and esteem of the teaching profession. Throughout the House, we all recognise how important it is to get the best people into the classroom.

Bob Russell (Colchester) (LD): Will the teachers—or whatever description they are given—at free schools be required to go through checking by the Criminal Records Bureau?

Michael Gove: We will ensure that everyone who is employed in a free school goes through the appropriate process of ensuring that it is safe for them to be in an environment where children are taught. As the hon. Gentleman will know, the Government are reviewing the current vetting and barring scheme in order to scale it back to common-sense levels, but the balance that we want to strike is between a proper regard for child safety and ensuring that unnecessary bureaucracy is removed.

Kevin Brennan (Cardiff West) (Lab): Where will these unqualified teachers be required to teach? I have here the document containing the Government's list of places where they want free schools to be able to open without any planning permission. It includes hairdressers, travel agencies, sandwich bars, dry cleaners, undertakers and—you could not make this up, Mr Speaker—pet shops. Actually, the Secretary of State and the schools Minister, the hon. Member for Bognor Regis and Littlehampton (Mr Gibb), look a bit like the Pet Shop Boys, but does their vision of 21st century schools really consist of our children being educated in the abandoned premises of "Reptiles R Us"?

Michael Gove: I am grateful to the hon. Gentleman for that well rehearsed question. I know that he is a brilliant musician, but in the words of the Pet Shop Boys, he's got the brains and I've got the looks, and together—I suspect—we could make lots of money.

We want to ensure that the spirit of innovation can flourish, and that Britain, and indeed our education system, is open for business in raising standards.

School Administration

2. **Stephen Phillips** (Sleaford and North Hykeham) (Con): What steps he is taking to reduce the administrative burden on (a) head teachers and (b) school governors. [23517]

The Secretary of State for Education (Michael Gove): The Government are committed to reducing the administrative burden on both head teachers and governors. We have already announced that the self-evaluation form will be removed, that the inspection framework will be streamlined and that we will reduce the amount of guidance issued to schools. Today I can announce that we are abolishing the overly bureaucratic financial management standard in schools scheme. We will also simplify school funding, and we are considering how to reduce funding differences between similar schools in different local authority areas. We will continue to work with local authorities and others to reduce the bureaucratic burden, so that schools have more time to focus on raising standards.

Stephen Phillips: I am grateful to my right hon. Friend for that answer. As he is aware, the imposition of school improvement partners by the previous Government led to the senior management teams of many schools spending vast amounts of their time holding meetings, ticking boxes and discussing meaningless strategies, targets and initiatives. Will the forthcoming White Paper bring an end to that aspect of the wasteful bureaucracy created by the previous Government?

Michael Gove: My hon. Friend makes a great point in his characteristically forceful and eloquent way. The Government are looking at how we can ensure that the whole process of school improvement is made less bureaucratic.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Does the Secretary of State agree that head teachers and school governors, as well as teachers, found Teachers TV very liberating in terms of knowledge, improving school administration and teaching? Will he think again about winding up Teachers TV?

Michael Gove: I am grateful to the hon. Gentleman, and I know how committed he is to improving continuous professional development. Our White Paper will say more about how we can do that. Teachers TV will—I think—operate in future on a commercial basis. That is one of the many ways in which outside organisations can attempt to improve education. In that respect, we will allow teachers, governors and heads to make decisions about the type of external support that they buy in to help them to improve the valuable work that they do.

Primary School Standards

3. **Gareth Johnson** (Dartford) (Con): What recent assessment he has made of academic standards in primary schools in (a) Dartford constituency and (b) England; and if he will make a statement. [23518]

The Minister of State, Department for Education (Mr Nick Gibb): In 2009, 71% of pupils in maintained schools in Dartford achieved level 4 or above in English and maths combined at key stage 2, compared with 72% in England. We want all children, whatever their background, to achieve high standards in reading, writing and maths. That is why we are introducing a pupil premium, which will provide extra funding for those schools with the most challenging intakes.

Gareth Johnson: I am grateful to my hon. Friend for his answer, because despite £2.5 billion spent on national strategies, a third of primary school pupils have not even reached level 4 for reading and writing. To help, will he encourage primary schools that have scrapped spelling tests in Dartford and elsewhere to reintroduce them?

Mr Gibb: Yes. Spelling is key to writing, as is grammar and punctuation. Indeed, we have already asked Ofqual to investigate how spelling, punctuation and grammar can be used in mark schemes for GCSEs other than simply English language.

Pupil Premium

4. **Mr Rob Wilson** (Reading East) (Con): What assessment he has made of the likely effect of his proposed pupil premium on children in (a) Reading East constituency and (b) England; and if he will make a statement. [23519]

The Minister of State, Department for Education (Sarah Teather): We have made no assessment of the effect of the pupil premium in specific constituencies. We are considering the responses to the consultation on school funding, which ended on 18 October, including the question of which deprivation indicator to use. We expect the effect of introducing the pupil premium across England to be one of raising the attainment of those children who are eligible for it.

Mr Wilson: As somebody who wrote about and championed the pupil premium back in 2005, may I welcome the Minister's answer? The pupil premium will not be enough in itself to break open social mobility, as only 45 pupils on free school meals went to Oxbridge in the last year for which figures are available. What further measures can the Minister promise, and how do the Government undertake to make things better for poorer pupils?

Sarah Teather: I recognise the hon. Gentleman's long-standing interest in this issue. He is right that the pupil premium alone is not enough to break open social mobility, but that is exactly why we extended the free entitlement for early-years education for three and four-year-olds to 15 hours, and why—crucially—we have extended such education to all disadvantaged two-year-olds. By ensuring that we narrow the gap before children get to school, we ensure that they are in a much better position to make the best of the offer that we provide for them when they start primary school.

Andy Burnham (Leigh) (Lab): We are told that the Secretary of State cracked open a bottle or two on the day of the spending review to celebrate the "Schools Protected" headline that was running. His journalistic ability to get a good headline is not in doubt; it is his grip on ministerial detail that we worry about, and whether the reality that head teachers face when they see their budgets in a few weeks' time will match the fine words that he used on that day.

Let me quote what the Secretary of State told the *Daily Mail* on 27 May:

"we will have a pupil premium, a sum of money from outside the existing schools budget which will come on top of what we currently spend on schools, in order to help children in disadvantaged circumstances."

I ask the Minister a simple question: have the Government delivered in full on that commitment?

Sarah Teather: The pupil premium will provide £2.5 billion on top of the baseline for schools by the end of the comprehensive spending review period. Let me remind the right hon. Gentleman that that is £2.5 billion more than a Labour Government would have been prepared to put in.

Andy Burnham: I am afraid that the Minister is wrong. The coalition agreement said that the pupil premium would be funded from "outside the schools budget", but the spending review document said that it

"will sit within a generous...settlement".

Whatever the Minister says today, the truth is this: a pupil premium that is on top of a protected schools budget has not been delivered. However—and what is worse—the pupil premium is not what it seems. It will create winners and losers, and scandalously, the biggest losers are set to be schools in the most deprived areas of England. Let me share with the House new analysis from the Commons Library, which states:

"The impact is likely to be—

Mr Speaker: Order. The shadow Secretary of State must bring himself to a question, and I am sure he will now do so.

Andy Burnham: The Library note states:

"The impact is mainly due to the shift in funding from generally more deprived to less deprived local authorities."

At this time, how can the Minister possibly justify taking money off schools in those deprived parts of England?

Sarah Teather: The right hon. Gentleman knows full well that there will be a real-terms increase in school funding over the course of this comprehensive spending review period. I wonder whether it is perhaps the height of his political career to stand in the House of Commons to oppose our spending £2.5 billion extra on the poorest children in this country. Is that really what he came into Parliament to do?

Andy Burnham: The words do not match the reality. The reality of the Government's spending review is this: a pupil premium con, where funding is recycled to the most affluent areas; a real-terms cut per pupil of 2.25%; a whopping 60% cut to the school building programme; Sure Start cut by 9%; and the education maintenance allowance scrapped, despite promises from the Secretary of State to protect it. Is this not the truth: he has made a mess of the education budget and while he celebrates his headlines, children and teachers are counting the cost of the Government's broken promises?

Sarah Teather: Is it not true that the right hon. Gentleman's Government left a legacy of the poorest children doing significantly worse than the wealthiest children right across the country, and of children on free school meals failing at every level to meet that of children from wealthier backgrounds? That is their legacy; that is the truth. His Government would never have implemented the pupil premium, and I am proud to say that we are implementing it.

Several hon. Members *rose—*

Mr Speaker: Order. I just emphasise at this point that we must now return to questions and answers. That is what we need and that is what the public expect.

Secondary School Standards

5. **Mr Douglas Carswell** (Clacton) (Con): What recent assessment he has made of standards of attainment in secondary schools in (a) Clacton constituency and (b) England; and if he will make a statement. [23520]

The Secretary of State for Education (Michael Gove): In 2009, the most recent year for which constituency-level data are available, just 34.1% of pupils in maintained schools in Clacton achieved five or more GCSEs at grades A* to C or equivalent including English and maths, compared with 50.9% across England as a whole. We remain concerned that nearly half of young people are leaving compulsory education without meeting this basic standard. That is why we are reforming the school system to give schools more freedom and introducing a £2.5 billion pupil premium to support children from disadvantaged backgrounds.

Mr Carswell: The Minister may be aware that as a general rule of thumb standards in schools in Clacton, and indeed in England, tend to be higher the more independent those schools are from his officials. Is there not a danger that any new direct funding through an IPSA-type quango would create the architecture of even greater central control? In order to maintain greater standards, should we not encourage real independence?

Michael Gove: My hon. Friend is an impassioned supporter of independence in all its forms and in all sorts of bureaucratic institutions, and I agree that one would be well advised to steer clear of any quango that models itself on IPSA. It is our intention to ensure that school funding is simplified, that schools exercise more autonomy and independence, and that the system is rendered fairer across the board. In particular, we will not be creating a new body that will have any additional bureaucratic powers.

Toby Perkins (Chesterfield) (Lab): For every one of the past five years specialist sports colleges have had higher levels of attainment than the national average across the curriculum. The Secretary of State's decision to axe the entire £162 million school sports partnership fund will decimate the work of specialist sports colleges. Given the success of school sports partnerships in raising attainment, and if he is interested in the east end boys as well as the west end girls, can he explain why he refused even to meet a recognised world expert in school sport such as Baroness Campbell before deciding to axe funding to the Youth Sport Trust and to decimate school sport?

Michael Gove: I am grateful to the hon. Gentleman for his question. I have had the opportunity to meet Baroness Campbell on a number of occasions; I have had dinner with her and I also met her at a school in the constituency of my hon. Friend the Member for Bermondsey and Old Southwark (Simon Hughes). The crucial question for all schools is, "Do you want more freedom or less?" We are giving schools more freedom. All schools that wish to continue to enjoy specialist status, be they specialist sports, science or technology schools, will have that freedom. What we have done is remove the bureaucratic prescription that went alongside it, and that is because we on this side of the House trust professionals, whereas those on that side of the House continually sought to fetter them.

Pauline Latham (Mid Derbyshire) (Con): I welcome the fact that the Secretary of State is giving more freedom to schools, because they really do need it, and the fact that there will be a national funding formula. How soon is that likely to be introduced? Many schools, including those that became grant-maintained and foundation schools, have been waiting for it for many years, and I know that academies are looking forward to it as well.

Michael Gove: I am very grateful to my hon. Friend, and I want to underline that we have been consulting on moves to a national funding formula. The former Prime Minister and Member for Sedgefield was himself keen to move towards a national funding formula in order to eliminate some of the inequities within the schools system. We want to ensure that, as we move towards

such a formula, schools themselves have their voices heard, so that we can do everything possible to eliminate the inequities that existed under the previous Government.

School Funding

6. **Stella Creasy** (Walthamstow) (Lab/Co-op): What funding his Department plans to provide for schools in Waltham Forest for 2011-12; and if he will make a statement. [23522]

The Parliamentary Under-Secretary of State for Education (Tim Loughton): As part of the spending review on 20 October, the Government have protected school funding in the system at flat cash per pupil and, in addition, provided funding for a pupil premium from outside the schools budget. We expect to announce the funding allocations for education for 2011-12 by the end of the year.

Stella Creasy: Let me try to shed some light on the issue. Waltham Forest has 27% of its children on free school meals, well above the national average of 16%, and 34% of its parents are in receipt of out-of-work credits, well above the national average of 20%. A real-terms increase in our school funding would mean a rise of more than 1.25% in our schools budget for 2011-12, so can Ministers guarantee that, or are they simply better at music than maths?

Tim Loughton: The hon. Lady will have to wait until we make the full announcements per school. Many of the anomalies to which she alludes are the sort of thing that will be dealt with by the pupil premium in any case, and by fairer funding for individual schools.

Pre-school Preparation

7. **Kate Green** (Stretford and Urmston) (Lab): What steps he is taking to provide support for parents in preparing their children to start school. [23524]

The Minister of State, Department for Education (Sarah Teather): We are committed to supporting parents in making sure their children are ready for school. We are maintaining the network of Sure Start children's centres; protecting funding for free nursery education and extending it to disadvantaged two-year-olds; and reviewing the early years foundation stage to look at how young children can be best supported throughout their early years while preparing them for formal schooling.

Kate Green: Save the Children has argued that every parent needs to be able to access family support programmes, which are shown to support children's development and learning. What steps will the Minister take to ensure that a pipeline of evidenced family support programmes is available in order to improve children's attainment?

Sarah Teather: I am grateful for the hon. Lady's question. She will be aware that we appointed the hon. Member for Nottingham North (Mr Allen) to undertake a review of early intervention. He will publish a report relatively soon on best practice in that area, and it will include many of the issues that she has just mentioned. The best Sure Start children's centres already use a significant number of evidence-based programmes, and the Secretary of State for Health has also announced an expansion of family nurse partnerships, which are extremely important in supporting young parents and in working with their children. However, we are very keen to encourage more Sure Start children's centres to make better use of the programmes on offer.

Claire Perry (Devizes) (Con): Speaking from experience, I know that there is almost nothing a parent can do to prepare a child for the devastating experience of being bullied at school. Today, on the first day of anti-bullying week, well over 800,000 people are taking part in a groundbreaking online march, organised by Beatbullying. What steps are the Government taking to reduce such bullying, which can have such a devastating impact on children's lives?

Sarah Teather: I thank the hon. Lady for raising this very important issue at this very important time. The Government take it very seriously, and we will speak much more about it, including about homophobic bullying, in the forthcoming White Paper.

Mrs Sharon Hodgson (Washington and Sunderland West) (Lab): It was good to hear the Minister reciting the successes of the previous Labour Government in providing free nursery places and a network of more than 3,500 Sure Start centres. The fact that Lib Dem Ministers feel the need to resort to claiming credit for our ideas shows how few they are getting from their partners in government.

Despite what the Government spin merchants would have the public believe, Sure Start was far from protected in the spending review. By freezing the grant, removing the ring fence, cutting children's services budgets and removing around £40,000 of the budget from every children's centre to pay for health visitors, the Government have put the Sure Start network under severe pressure. I therefore have a simple question for the Minister: can she guarantee that no Sure Start children's centre will close as a result of choices made by this Government?

Sarah Teather: We will be announcing more details about the funding for Sure Start children's centres shortly, in line with the settlement for local government. Yes, we have removed the ring fence, but we are trying to encourage local authorities to look rationally at what they want to do locally to ensure that they prioritise early intervention. We have rolled this into an early intervention grant, because they tell us how strongly they want to prioritise early intervention. However, every area will be different. Unlike the previous Government, we want to give local authorities the freedom to make decisions on the ground on what matters for them.

Special Educational Needs

8. **Mark Menzies** (Fylde) (Con): What plans he has for future provision for children with special educational needs; and if he will make a statement. [23525]

The Minister of State, Department for Education (Sarah Teather): To deliver the Government's commitments on special educational needs, I am publishing a Green Paper later this year to look at the wide range of issues concerning children with special educational needs and

disabilities. To inform this important work, I issued a call for views and have met parents, teachers, local authorities, charities and other groups. I am also considering the findings of recent reviews, including the recent report from Ofsted.

Mark Menzies: I thank the Minister for that answer. However, like many MPs, I have had in my constituency surgeries people who have real concern that their children will not be adequately assessed. That is a great worry for parents. What can she tell us to outline a future approach and take away parents' worry?

Sarah Teather: That is specifically why we are producing the Green Paper. We recognise how many parents feel that they continually have to battle to get the needs of their child recognised, and then battle again to make sure that those needs are catered for. We are looking at how we can make the system more transparent, how we can streamline assessment, and how we can identify need much earlier. We also want to improve parents' choice about the provision for their child and look at transition for young people right across the piece.

Pat Glass (North West Durham) (Lab): Given the huge weight of evidence about the importance of early intervention for all children, but particularly for children with special educational needs—the Minister has talked about that—can she confirm for us today that the pupil premium will be paid for under-fives?

Sarah Teather: I said earlier that, in line with the funding premium, we have spent that money extending it to all disadvantaged two-year-olds to ensure that they have an opportunity to benefit from early education, because that will make a big difference. The hon. Lady mentions early intervention. That is why I asked Dame Claire Tickell to look specifically at how we can use the early years foundation stage and early education to identify needs, specifically special educational needs. I hope that that answers the hon. Lady's question.

Mr Graham Stuart (Beverley and Holderness) (Con): I warmly welcome giving greater autonomy to schools. However, can we ensure that schools are not free to put up classrooms in which children with a hearing difficulty are unable to hear what is going on, and can we make sure that basic regulation is in place to ensure that every classroom, unlike so many of those built in recent years, is suitable for the needs of every child in that class?

Sarah Teather: The National Deaf Children's Society has raised that issue repeatedly. The Government are very sympathetic to this point; acoustics need to be considered when we are thinking about school buildings.

Education Maintenance Allowance

9. **Helen Jones** (Warrington North) (Lab): What discussions he has had with head teachers on the Government's plans to end the education maintenance allowance. [23526]

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): In reaching the decision to end the EMA scheme, we have focused on the evaluation evidence and other research which indicates that EMA does not effectively target those young people who need financial support to enable them to participate in learning. It will be replaced by a scheme that does.

Helen Jones: I take it from that that the Minister has not had any discussions with head teachers. When he does, does he think that they will welcome taking on the role of prying into family finances as well as their other duties? What implications does he foresee for the relationship between the young person and their school or college if they are turned down for financial support? Will there be an appeals system to ensure that the process is fair?

Mr Hayes: In my ministerial role, I have conversations all the time with head teachers and college principals. What I know—I am sorry that the hon. Lady does not know this, because she cares about these things deeply—is that such people are almost always best placed to make the sensitive judgments about learners that she describes.

Mr David Ward (Bradford East) (LD): I note the confidence of the Minister's response about the replacement for EMA, but if that replacement—be it the enhanced learner support fund or whatever—proves inadequate, will he commit himself to reintroducing EMA for children from the poorest backgrounds?

Mr Hayes: The hon. Gentleman, again, shares my profound concern for social mobility and social justice. He can be assured that the Government will take the necessary steps to make sure that disadvantaged learners get every help to fulfil their potential. That is at the heart of our mission.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Is the hon. Gentleman aware that I have today received a letter from the principal of Xaverian sixth-form college in my constituency, 55% of whose student roll are on EMA? The principal says:

"The decision to scrap the Education Maintenance Allowance will cause great suffering"

among those on her student roll, and particularly

"those with low achievement levels, those from ethnic minorities and those from single-parent families."

Will the hon. Gentleman drop this damaging policy?

Mr Hayes: The right hon. Gentleman is an experienced Member of the House and he is diligent in studying all these matters. He will be very familiar with the evaluation evidence, which shows that EMA is ineffective at targeting the very people he described. I am reminded of Chesterton, who said:

"It isn't that they can't see the solution. It is that they can't see the problem."

Damian Hinds (East Hampshire) (Con): In replacing the EMA, which had a large degree of dead-weight cost, with something more targeted, will my hon. Friend maximise the freedom of individual schools and colleges to adapt to suit their individual locality, address real need and truly widen access?

Mr Hayes: Absolutely. That is just the kind of discretion that lies at the heart of our policy. I am disappointed that Opposition Members do not share our faith in governors, head teachers and teachers to do their best by learners, whose interests we hold so dear.

Education Maintenance Allowance

10. **Natascha Engel** (North East Derbyshire) (Lab): What assessment he has made of the likely effects on levels of participation in post-16 education of the withdrawal of education maintenance allowance. [23528]

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): We are committed to making sure that young people participate in education and training until they are 18. We will replace EMA with a fund that can more effectively target young people who actually need the support to enable them to participate.

Natascha Engel: We all know that scrapping EMA, as well as the Government's change of heart on tuition fees, will adversely impact the poorest children. What proper guarantees will the Minister give us that children from poorer backgrounds will not drop out of education just because they cannot afford it?

Mr Hayes: Let us look at the details a little more, because the hon. Lady will wish to do so. The figures and the evidence show that we are spending more than £560 million to pay 650,000 young people to incentivise them. Only 10% of those young people need that to enable them to participate in learning post-16. That means that the Government have spent £9,300 each year for every additional young person whom EMA has supported to participate. We simply want to spend that money more wisely on the very people the hon. Lady champions.

History Teaching

11. **Tony Baldry** (Banbury) (Con): What steps he is taking to promote the teaching of history in schools. [23529]

The Secretary of State for Education (Michael Gove): History is a vital part of children's education. We will review the national curriculum to ensure that all children gain a secure knowledge of British history and the key events in world history. We will be announcing further details shortly. We are also exploring ways to encourage the study of history after the age of 14—for example, by giving recognition to pupils studying a broad range of subjects, including a humanity such as history, through the English baccalaureate.

Tony Baldry: We will never have an understanding of, for example, the need for greater religious tolerance if we do not understand the tragedy of why George Napier was martyred simply for being a Catholic or why Cranmer, Latimer and Ridley were burned to death in Oxford. If our children do not have the opportunity of hearing our island's story, they will never learn the lessons of the past. What is my right hon. Friend doing to ensure that history is taught as a connected narrative? Will he expand a bit more on what he is doing to encourage more youngsters to study history at GCSE and A-level?

Mr Speaker: Order. Any expounding will have to be brief.

Michael Gove: Top historians such as Niall Ferguson, Simon Schama and even the hon. Member for Stoke-on-Trent Central (Tristram Hunt) have all pressed on the Government the need to ensure that history is taught as a connected narrative. I agree with them.

Tristram Hunt (Stoke-on-Trent Central) (Lab): May I congratulate the Secretary of State on attracting the likes of Simon Schama and Niall Ferguson to advise the Government, although quite when they last saw the inside of a British classroom is open to debate? However, is the real issue not the syllabus, but the fact that the average 13-year-old has only one hour of history a week for 32 weeks a year, thanks to the growth of citizenship and other well-meaning additions to the syllabus that surely need to be pulled back?

Michael Gove: I enjoyed the hon. Gentleman's searing attack on curriculum changes introduced under the last Labour Government, appreciate his commitment to the better teaching of history and note, also, the mildly envious tone in his remarks about Simon Schama and Niall Ferguson. However, I can assure him that a copy of "The Frock-Coated Communist" is on my shelves as well, so his sales will certainly be improving—although, whether they can match Niall's and Simon's remains to be seen.

Philip Davies (Shipley) (Con): I welcome the Secretary of State's commitment to the teaching of British history, and I hope it will be done in a way that allows us to be proud of our country, rather than always apologising for our history. Does he agree that that can be done only if history is taught as a single subject? In many schools, it has been merged with other subjects such as geography. What can he do to ensure that history is taught as a single subject, so that people can learn properly about British history?

Michael Gove: My hon. Friend makes a good point. The changes we are making to the national curriculum and to accountability, through the English baccalaureate, will ensure that history is taught as a proper subject, so that we can celebrate the distinguished role of these islands in the history of the world, from the role of the Royal Navy in putting down the slave trade, to the way in which, since 1688, this nation has been a beacon for liberty that others have sought to emulate. We will also ensure that it is taught in a way in which we can all take pride.

School Finance

12. **Bill Esterson** (Sefton Central) (Lab): What plans he has to provide assistance for schools in planning their budget for 2011-12. [23530]

The Minister of State, Department for Education (Mr Nick Gibb): It is for schools to plan their own budgets. The Department will ensure that a full range of tools and information is available to schools on its website.

Bill Esterson: Head teachers in my constituency have told me that the uncertainty they have in planning their budgets means that they have grave concerns about staff numbers and their ability to offer certain subjects to

students. Will the Minister put those head teachers' minds at rest by saying whether schools face a budget increase or a budget cut?

Mr Gibb: The overall settlement was clear: over the four years, there will be a real-terms increase in schools funding. How that is allocated will be announced later this year at a local authority level. Then it will be for local authorities to allocate that funding to schools in the new year.

Patrick Mercer (Newark) (Con): The budget for the Grove school in Newark has been thrown into complete disarray by the fact that last week, owing to flooding, the collapse of boilers and external exams, key stage 3 teaching had to be suspended for 600 children on Thursday and Friday. What is the Minister's vision for both the budget and the school itself?

Mr Gibb: It is tragic when schools are faced with the sort of problems my hon. Friend talks about. It is, of course, up to head teachers to decide whether to close a school in the face of such problems, and if the closure continues for a period, the school should provide work for those key stage 3 pupils to do at home, so that they do not fall behind in their work. However, I am happy to meet him to discuss measures to avoid such flooding problems in the future.

Serious Case Reviews

13. **Meg Munn** (Sheffield, Heeley) (Lab/Co-op): What representations he has received on serious case reviews since the implementation of his Department's requirement to publish them in full. [23531]

The Parliamentary Under-Secretary of State for Education (Tim Loughton): We believe that publishing serious case review overview reports will help to restore public confidence and improve transparency in the child protection system, and ensure relevant lessons are learned and applied as widely as possible. I have received only a very small number of representations since the Government's announcement on publishing serious case reviews on 10 June. I also considered comments received from relevant parties prior to publishing the SCR overview reports relating to Peter Connelly on 26 October.

Meg Munn: I know that the Minister is genuinely committed to improving child protection. In that spirit, will he give a commitment to examine the process of publishing serious case reviews in full so that in future we can, if necessary, amend the system better to protect families' privacy and enable professionals properly to learn from mistakes?

Tim Loughton: I am grateful for the hon. Lady's comments. She has great experience in this area. What she asks has already happened, and we commissioned Professor Eileen Munro on 10 June to undertake a review of how child protection works in this country. That will include how to improve serious case reviews to ensure that they are the genuine learning tools that we all desperately need them to be.

Secondary Schools (Tamworth)

14. **Christopher Pincher** (Tamworth) (Con): What recent representations he has received on standards of attainment in secondary schools in (a) Tamworth constituency and (b) England. [23532]

The Minister of State, Department for Education (Mr Nick Gibb): No representations have been received on standards of attainment in secondary schools in Tamworth. However, we have received many representations about standards in secondary schools nationally. In 2009, 38.9% of pupils in maintained schools in Tamworth achieved five or more GCSEs at grade A* to C, including English and maths, compared with 50.9% in England as a whole.

Christopher Pincher: I am grateful for that answer. Is my hon. Friend aware that after 13 years of a Labour Government, children are still going to secondary school in Tamworth at the age of 11 with a reading age of eight or lower, which puts them at a disadvantage? What proposals do the Government have to enhance vertical integration between primary schools and secondary schools so that children have the best chance of high attainment when they go into those secondary schools, and do not have to play catch-up?

Mr Gibb: It is important for primary and secondary schools to work closely together, particularly at that transition point. Getting the fundamentals right is crucial to a child's success in secondary education and throughout their adult life. The Government are committed to getting all children reading and writing to a high standard, which is why we are promoting the use of systematic synthetic phonics in primary schools and introducing a short reading test for six-year-olds, so that we can identify those who need extra help. We will say more about the age six reading test shortly.

Fiona Mactaggart (Slough) (Lab): If the Minister is committed to increasing attainment, does he agree that children in secondary schools learn from each other, as well as from their teachers? If so, why will children in places such as Wokingham receive around twice as much pupil premium as children in places such as Slough?

Mr Gibb: Of course, we are still consulting on how the pupil premium will be allocated, but a problem with the current system is that 50% of funding that is allocated on the basis of need does not reach the school. The advantage of the proposed pupil premium—it will be £2.5 billion a year by the final year of the spending review period—is that every penny will reach the schools attended by those pupils.

Secondary Schools (Brentford and Isleworth)

15. **Mary Macleod** (Brentford and Isleworth) (Con): What recent assessment he has made of standards of attainment in secondary schools in (a) Brentford and Isleworth constituency and (b) England; and if he will make a statement. [23534]

The Secretary of State for Education (Michael Gove): In 2009, 59.7% of pupils in maintained schools in Brentford and Isleworth achieved five or more GCSEs at grade A* to C or equivalent, including English and maths, compared with just 50.9% in England as a whole.

Mary Macleod: I thank my right hon. Friend for that answer. Given that girls often perform better than boys at GCSE level, will he publish performance data by gender so that schools such as Isleworth and Syon school for boys are assessed fairly against other boys' schools?

Michael Gove: One of the coalition Government's commitments is to ensure that more data are published about attainment at every level to ensure that meaningful comparisons can be made between schools, and that we can learn from the best.

Education Maintenance Allowance

16. **Hazel Blears** (Salford and Eccles) (Lab): What assessment he has made of the effect on the number of young people in the north-west who remain in further education of his decision to end education maintenance allowance. [23535]

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): Where young people in the north-west are facing financial barriers to participation, schools and colleges will be able to agree whether they should benefit from the enhanced learner support, which will enable closer targeting of resources to individual student need.

Hazel Blears: I thank the Minister for that reply. The pupil premium is supposed to help the poorest children to succeed in education. How does that sit with the decision to abolish the education maintenance allowance, which currently supports 3,000 young people in Salford to stay on at 16? Is it a case of confused policy making, or is it really a matter of robbing Peter to pay Paul?

Mr Hayes: The right hon. Lady will know that the evidence that I described in answer to an earlier question is clear about the ineffectiveness of EMA. That is supported by a letter that I received recently from north-west England from a teacher with 12 years' experience in her area who said:

"I would like you to withdraw EMA"

because it is just not effective. We act on the basis of evidence.

School Sports

18. **Ian Austin** (Dudley North) (Lab): What assessment he has made of the likely effects on sport in schools of planned changes in his Department's expenditure. [23537]

The Parliamentary Under-Secretary of State for Education (Tim Loughton): The planned changes in the Department's expenditure on school sport, beginning in 2011-12, will enable us to deliver on our coalition Government commitment to create an annual Olympic-style school sport event to encourage more competitive sport in schools.

Ian Austin: Just because the Secretary of State hated sport when he was at school, that is no reason to deprive today's youngsters of the opportunity to take part. When we came to power, just two out of 10 youngsters did two hours of sport a week; today the figure is nine out of 10, as a result of the extra funding and support that we put in. How many will it be as a result of the Government's cuts?

Tim Loughton: I welcome the hon. Gentleman's new-found interest in sport from the Opposition Front Bench, because he had not asked any questions about it in his five years in the House previously. Since 2003, when the school sports partnership was introduced, £2.4 billion has been added to expenditure on sport in schools, and yet still, barely one in five students in secondary schools are involved in competitive sports against other schools. We think that we can get a much better deal by adjusting the way we do things.

Secondary Schools (Great Yarmouth)

19. **Brandon Lewis** (Great Yarmouth) (Con): What recent representations he has received on standards of attainment in secondary schools in (a) Great Yarmouth constituency and (b) England. [23538]

The Minister of State, Department for Education (Mr Nick Gibb): No representations have been received on standards of attainment in secondary schools in Great Yarmouth. We have, of course, received many representations about standards in schools nationally. In 2009, 46.8% of pupils in maintained schools in Great Yarmouth achieved five or more GCSEs at grades A* to C, including English and maths, compared with 50.9% in England as a whole.

Brandon Lewis: I thank the Minister for that answer. Can he give some reassurance to the head teachers and teachers in Great Yarmouth? Those I have spoken to have expressed huge frustration over the past decade or so at having to manage tick-box, centrally controlled systems, rather than being able to focus on their pupils. The new freedoms and choices that this Government are giving will allow teachers to go back to focusing on pupils' needs.

Mr Gibb: My hon. Friend is absolutely right. Indeed, evidence from the OECD shows that the most successful education jurisdictions in the world are those with high levels of autonomy combined with clear external testing and accountability. Reducing the bureaucratic burden on teachers and heads is part and parcel of delivering that autonomy, as is the expansion of the academies programme. We are determined to push ahead with both.

Topical Questions

T1. [23540] **Clive Efford** (Eltham) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Education (Michael Gove): In an effort to ensure that the coalition Government's commitment to greater transparency is fulfilled in every Department, my Department has published a full structural business plan. Later this week, it will also be publishing all expenditure incurred over £25,000, as well as the expenditure that has gone to the voluntary and charitable sector, charity by charity, on behalf of the Department and its arm's length bodies.

Clive Efford: I am grateful to the Secretary of State for that answer, but can he say how Miss Rachel Wolf moved seamlessly from being his adviser in opposition to setting up the free schools network, then receiving a

£500,000 grant from the Department for Education without any tendering process? If he cannot answer that question right now, will he undertake to write to me and explain why there was no advertisement or open tendering process for a contract of that size?

Michael Gove: I am grateful to the hon. Gentleman for his question. Rachel Wolf and those who work with the New Schools Network are doing a brilliant job. They are joined in doing that job by people from every party, including Paul Marshall, who is a supporter of the Liberal Democrats, and Sally Morgan, who used to work as a political secretary for the Labour party. *[Interruption.]* The right hon. Member for Leigh (Andy Burnham) will know that there were more than five organisations—there were eight, I believe—that were funded by the previous Secretary of State on the basis of no competitive process, including the Specialist Schools and Academies Trust, and the Youth Sports Trust. We have ensured that the best person is paid the going rate for doing a fantastic job.

T2. [23541] **Amber Rudd** (Hastings and Rye) (Con): Although 23.3% of our pupils at primary school in Hastings are on free school meals, against an average of 15%, our head teachers are still concerned that the number of children eligible for free school meals is under-represented in my town and that some people are simply not signing up. We hope that the Secretary of State will be able to consider other ways of deciding who will be in receipt of the pupil premium, in addition to free school meals.

Michael Gove: We are consulting on a number of ways to ensure that the pupil premium can go to those children who are most in need. One advantage of using free school meals as a measure of eligibility is that they are clearly linked with household income, although I take my hon. Friend's point that no measure of poverty is perfect. In particular, I would encourage all schools to ensure that those children who are eligible for free school meals take up that offer.

T5. [23544] **Derek Twigg** (Halton) (Lab): The Minister used to be fond of giving quotations about the education maintenance allowance and saying that we were not listening to heads of colleges and schools or governing bodies, so let me read him a quotation from the principal of Halton Riverside college, who is one of the most respected principals around. He says:

"I believe that the Department for Education has made the wrong decision and that disadvantaged young people in Halton will suffer as a result of this decision".

That comes on top of the £1.2 million cut in the education budget in Halton and the almost £100 million cut in Building Schools for the Future, which shows again that disadvantaged areas such as Halton are suffering disproportionately.

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): The hon. Gentleman will understand that the Government are acting on the basis of evidence. I assure him that our determination is to ensure that disadvantaged learners are protected. He will know that the evidence conducted for the Department and for the Institute for Fiscal Studies suggested that the deadweight costs of the current arrangements were at 90%. That is not acceptable; he must understand that.

T3. [23542] **David Mowat** (Warrington South) (Con): The comprehensive spending review has set out that we intend to spend £16 billion on about 600 schools during the spending period as a replacement for the Building Schools for the Future programme. The Secretary of State will be aware that a number of initiatives, pursuant to BSF, were lost in Warrington. When does he expect to be in a position to announce the results of his capital review?

Michael Gove: I expect to be able to announce later this year the findings of the capital review on how we can better allocate capital. My hon. Friend is absolutely correct to say that we are spending more than £16 billion on school buildings over the next four years, which is just under twice what was spent in the first eight years of the Labour Government.

T8. [23547] **Mrs Linda Riordan** (Halifax) (Lab/Co-op): Will the Minister join me in condemning the presence of the British National party on any school governing body? Will he outline what plans the Government have to prevent this from happening?

Michael Gove: I am grateful to the hon. Lady for that question; she has a distinguished record as an anti-racism campaigner. She will be aware that the last Government looked at how to prevent members of the British National party from teaching in the classroom, and decided in the end that the current legislative framework was sufficient. We do not take that view. We are now looking to ensure that we do everything possible to prevent BNP members from being teachers. I very much take her point about the need to ensure that governing bodies and other organisations related to schools are not populated by people with a racist or extremist agenda. We will do everything in our power, consistent with commitments to basic civil liberties, to ensure that racists cannot poison the minds of young people.

T4. [23543] **Matthew Hancock** (West Suffolk) (Con): The Secretary of State may be aware that over the last month there has been a double dose of good news in Haverhill in my constituency, where Castle Manor school has been awarded outstanding status for the first time and the Samuel Ward school has now become an academy. Will he visit these two schools with me so that he can learn about how they have achieved these improvements and also see how to ensure that those achievements will continue?

Michael Gove: I would be delighted to visit West Suffolk. It is striking that in the six months since the coalition Government were formed—and my hon. Friend took his seat—educational standards in that particular part of East Anglia have significantly improved.

T10. [23549] **Mr Jim Cunningham** (Coventry South) (Lab): I noticed that in his reply to the question of my hon. Friend the Member for North East Derbyshire (Natascha Engel) about the education maintenance allowance, the Minister said that the Government would spend the money more wisely. Will he now tell us what he intends to replace it with and stop dodging the question?

Mr Hayes: I made it clear that we intend to replace EMA with the enhanced learner support fund, which will target money at the most disadvantaged learners. The problem with EMA—forgive me for repeating myself, Mr Speaker, but I think it is necessary to amplify the point—is its dead-weight costs and its ineffectiveness at reaching the people whom it is designed to help. We will put in place a more effective scheme. The hon. Gentleman must wait and see—*[Interruption.]* He must simply wait and see.

T7. [23546] **Robert Halfon** (Harlow) (Con): Only this morning, I opened an enterprise centre in Harlow, which is desperately needed because unemployment there is among the highest in west Essex. What plans does the Minister have for supporting young people to develop enterprise and business schools? Does he agree with me that our economy would benefit enormously if schoolchildren were encouraged by teachers to become young entrepreneurs and—

Mr Speaker: Order. I must tell the hon. Gentleman that one question is enough.

Mr Hayes: In his short time in this House, my hon. Friend already has a proud record of championing practical learning, including entrepreneurship. He can be assured that practical learning in our schools will, under this Government, be treated with the seriousness that it simply did not enjoy under the previous Administration.

Paul Goggins (Wythenshawe and Sale East) (Lab): I join my hon. Friends in telling the Minister that his policy on the education maintenance allowance is an absolute disaster for my young constituents. The Manchester college has opened a new sixth-form centre in Wythenshawe. It has taken on 180 young people this year and it aims to have 800 people on roll by September next year. Currently, 85% of them are eligible for EMA, yet he wants to take away that important financial support.

Mr Hayes: The hon. Gentleman will know that EMA is also being paid to many more advantaged young people than those whom he commends to the House. There is no determination on these Benches to add to disadvantage, but there is an absolute determination to ensure that the money goes to those who need it most.

T9. [23548] **Bob Blackman** (Harrow East) (Con): Krishna-Avanti primary school, which is in my constituency, is the first state-sponsored school for Hindus in the country. The school, which has won an award for sustainable design, has just had an Ofsted inspection resulting in an excellent review. Will the Secretary of State agree to visit that community-led school, see it at first hand, and conduct its official opening?

Michael Gove: In this pre-Diwali season, I think we should pay tribute to the significant success of that Hindu school, and to the significant commitment of many Hindu parents to ensuring that our state education can provide respect for their faith along with a perfect preparation for the world of work and further study. I should be delighted to visit that outstanding school.

Alex Cunningham (Stockton North) (Lab): What message has the Minister for the young disabled people in Abbey Hill special school, and in other schools in my constituency, who have enjoyed taking part in sport through the school sports partnership, but will no longer be able to do so because he has withdrawn the funds?

The Parliamentary Under-Secretary of State for Education (Tim Loughton): The hon. Gentleman has only half the story. We will introduce a competitive sport ethos in schools which has been missing. We need to get much better bang for our buck than we get by spending £2.4 billion so that one in five secondary school age students can indulge in competitive sport against other schools. We want them to be doing much more, but we are not getting that at the moment.

Annette Brooke (Mid Dorset and North Poole) (LD): What advice would Ministers give someone wishing to apply to become a trainee educational psychologist, bearing in mind not only the current freeze on recruitment, but the great need for an adequate supply of educational psychologists to improve education for those with special educational needs?

The Minister of State, Department for Education (Sarah Teather): I am well aware of my hon. Friend's interest in this issue. As I said to her a couple of weeks ago when she raised it in a debate on the Floor of the House, the current system for funding educational psychologists is just not working. Unfortunately, only 16 out of 150 local authorities have paid their contribution, although the money went into their baseline funding. That is not good enough, and the Department could not take such a risk. However, I am absolutely determined to ensure that the system changes, because I agree with my hon. Friend that educational psychologists are critical to our reform of special educational needs.

Ann Coffey (Stockport) (Lab): What further plans has the Secretary of State to improve the take-up of free early-education places by the most disadvantaged families?

Michael Gove: I am grateful to the hon. Lady for her question and, indeed, for her commitment to this cause. As a result of the coalition Government's careful stewarding of the nation's finances, we are able to ensure that more disadvantaged two-year-olds will enjoy access to pre-school learning. We have also ensured that children of three and four will enjoy 15 hours of pre-school learning free, something of which the last Government were incapable. All that is against the backdrop of an historic deficit for which no one on the Opposition Front Bench has yet had either the courtesy or the bravery to apologise.

Andrea Leadsom (South Northamptonshire) (Con): While I truly welcome the decision to provide 4,200 more health visitors, surely my right hon. Friend recognises that if the pupil premium does not start until a child is two years old, a valuable opportunity is being missed to build, in those first two critical years of life, the relationships between parents and children that have such a strong effect on those children's subsequent ability to learn.

Michael Gove: I have a huge amount of sympathy with what my hon. Friend has said. The work that we are doing with the right hon. Member for Birkenhead

(Mr Field), in alliance with the Minister of State, Department for Education, my hon. Friend Member for Brent Central (Sarah Teather), who is the Minister responsible for children and families, will ensure that we intervene early, particularly in order to help the most disadvantaged children to achieve their potential.

Mr Chuka Umunna (Streatham) (Lab): My constituency is in the 19th most deprived local authority area in the country, and I can say with absolute conviction that the education maintenance allowance has been hugely effective in increasing participation rates there: 3,800 young people benefited from it last year alone. Can the Secretary of State guarantee that the more focused, targeted support that has been talked of will help a similar number, and may I also ask him what exactly it will involve? I am not very clear about that.

Michael Gove: I am grateful to the hon. Gentleman for his question, and I know that his commitment to improving educational standards in his constituency is absolute, but I should point out that this Government are increasing education spending by £3.6 billion more than the baseline we inherited. Moreover, we are doing that against the backdrop of a catastrophic economic inheritance. Our commitment to ensuring that educational spending goes—*[Interruption.]* The hon. Member for Cardiff West (Kevin Brennan)—*[Interruption.]* The hon. Member for—

Mr Speaker: Order. The Secretary of State is naturally a great enthusiast for debate. He must not be put off by sedentary chunterings, which should not take place. He should proceed uninterrupted with the full flow of his eloquence.

Michael Gove: I am not put off by these chunterings, Mr Speaker. What I want to hear from the hon. Gentleman and every single member of the Opposition Front-Bench team is one word: "sorry" for leaving this country in a desperate economic mess; "sorry" for leaving our poorest children falling behind the richest; and "sorry" for ensuring that our coalition Government have to clear up the mess that the crew of wreckers on the Labour Benches left behind.

Mr Speaker: I will give the Secretary of State a chance to calm down by calling Elizabeth Truss.

Elizabeth Truss (South West Norfolk) (Con): Following the introduction of modular mathematics GCSE this September, which is down to the previous Government and is widely thought to be a worse preparation for A-levels than previous courses, what steps is the Secretary of State taking to ensure that the twin maths GCSEs are going to be rigorous, linear and observed by academics and learned societies?

Michael Gove: Our White Paper will reveal several steps that we will be taking to improve the learning of mathematics, and one of the key questions we will be asking at GCSE level is how a Government who left a £155 billion deficit can have the temerity to ask for more public spending.

Julie Hilling (Bolton West) (Lab): As youth services nationally have already been cut by 30 to 40%, the cuts to the National Youth Agency are so severe that it will no longer be able to carry out the annual audit of youth work, and Ofsted is no longer to inspect youth work, how will the Secretary of State ensure the quality of youth service provision in future?

Tim Loughton: The hon. Lady underlines the great importance of engaging the young people of this country as proper citizens, which is why we are carrying forward the national citizen service programme, which will give an offer to every 16-year-old in this country to come forward so it can help their transition to adulthood by enabling them to do worthwhile things in the community, and it will therefore offer a positive message about the good things—the great things—young people in this country do. In the past, we have been too much down on young people. I want to see a Government who are committed to being positive for youth, and this Government are.

Jessica Lee (Erewash) (Con): National adoption week took place in the first week in November, highlighting the plight of the many children in care who require a permanent home. What steps are this Government taking to address this pressing issue, not least when many children have to wait many months, if not years, to be matched with parents?

Tim Loughton: Adoption is a vital component in giving often deeply damaged children a second chance of a good, stable, loving family, and it is very worrying that recent figures showed a 15% fall. I am determined that we get rid of the political correctness and bureaucracy in the system that has meant that many children are waiting too long in care, often never getting the chance of a place in an adoptive family. We need to speed up the process and do away with political correctness and bureaucracy forthwith.

Alison McGovern (Wirral South) (Lab): Evidence from the Royal Shakespeare Company, Arts Council England and others has shown the very real impact access to live theatre can have on the attainment of young people in schools. What specific discussions is the Secretary of State having with the Secretary of State for Culture, Olympics, Media and Sport to ensure that all young people can still access live theatre, especially those from low-income backgrounds?

Michael Gove: Shall I compare her to a summer's day? *[Interruption.]* I am very grateful that appreciation for Shakespeare is something that unites both Front-Bench teams. I had an opportunity to talk to the RSC before the general election and I am committed, along with my right hon. Friend the Secretary of State for Culture, Olympics, Media and Sport, to ensuring that access to live theatre, and, indeed, to the very best of English literature, is at the heart of learning. I hope that the shadow Education Secretary, the right hon. Member for Leigh (Andy Burnham), will join me in that. I know he studied English at university, which is why I hope he will withdraw his recent comments against John Dryden, suggesting that that figure should not feature in the national curriculum.

Several hon. Members *rose—*

Mr Speaker: Order. As usual, demand has exceeded supply and I wonder whether the show needs to be rerun.

G20 Summit

3.34 pm

The Prime Minister (Mr David Cameron): With permission, Mr Speaker, I would like to make a statement on my visit to China and the G20 summit in Korea. First, however, I am sure that the whole House will want to join me in welcoming the liberation, at last, of Aung San Suu Kyi. Her tenacity and courage in the face of injustice has been truly inspiring. I spoke to her this morning to pass on the congratulations of everyone in this country on her release and her remarkable stand on democracy and human rights. We must now work to ensure that her release is followed by freedom for more than 2,000 other political prisoners in Burma and that this becomes the first step towards the people in Burma genuinely being able to choose the person whom they want to run their country.

In China and Korea, my main focus was on jobs and growth. In China, I led one of the biggest and most high-powered British business delegations ever. This helped to win new business for Britain worth billions of pounds, involving businesses all over the UK and cities across China. We strengthened our ties on trade, education and culture, all the while raising our concerns with China on issues such as human rights where we have a difference of view.

In Seoul, Britain had four priorities, the first of which was to continue to win recognition for the importance of fiscal consolidation, with those countries with the greatest deficits taking the fastest action. The second priority was to get a clear commitment from all countries to fight protectionism and take the steps necessary to boost global trade. The third priority was to help move development issues up the G20 agenda, and the fourth was to address the global imbalances that were at the root of the global financial crisis and which still hold back growth in the world economy.

I believe that we made good and important progress on all four of those priorities and I will now take each in turn. First, on fiscal consolidation, it is now perfectly clear what the consequences are if we ignore the dangers of large deficits—we see markets questioning our economy, interest rates rising, confidence falling and the economy back in the danger zone. That is where Britain was only a few months ago, but because of the measures we have taken that is no longer the case. Countries with larger deficits need to act on them and do so now. That was exactly the view of the G20. In Seoul, we agreed that

"failure to implement consolidation would undermine confidence and growth."

We also agreed to

"formulate and implement clear, credible, ambitious and growth-friendly fiscal consolidation plans".

There can be no clearer statement of our collective intent.

Secondly, on trade, as the world comes out of recession with some countries moving more slowly while others, including the new emerging powers, forge ahead, there are inevitable pressures in some quarters for protectionism. The G20 has been a vital forum in fighting to keep markets open. Increasing trade is the biggest boost and the biggest stimulus we can give to the world economy. It does not cost any money, it is not a zero-sum game and it creates wealth and jobs. So, against a background of rising protectionist pressures, the G20 reaffirmed its determination to learn the lessons of the past and avoid the trade barriers and beggar-my-neighbour policies that wrecked the economy in the 1930s. It refreshed its commitment

"to keeping markets open and liberalizing trade and investment as a means to promote economic progress for all",

and pledged to

"roll back any new protectionist measures that may have arisen".

On the Doha round, let me say that it is incredibly frustrating that this trade round is almost 10 years old and that world leaders say again and again that it is going to be completed, but that the situation still remains stalled. The longer it has gone on the more difficult it has got, because the world economy has changed so fast that the deal has become outdated. Both developed and developing countries are looking for more from the round. I do not want to raise hopes artificially but I think that some real progress was made in Seoul.

The language of the communiqué refers to 2011 as the "critical window of opportunity" and crucially refers to the "end game" of the negotiations. As I proposed at the Toronto summit, we have to make the deal bigger by having a wide, across-the-board negotiation. What changed at this summit is that the US said that if a good and fair deal comes forward it will be taken to Congress, so we all instructed our trade negotiators to put more on the table so that a deal can be done. I am determined that Britain should do everything it can to push this agenda forward.

Thirdly, on development, it is right that the G20 is now playing a bigger role in this issue. As well as the very richest nations, the new emerging powers have a huge role to play in helping some of the poorest people and countries. There is a real recognition of the importance of trade, infrastructure and finance in the Seoul agreement. I also raised the importance of continuing our aid programmes. Britain is keeping its promises on aid and I pressed others to do the same.

On the trade agenda, together with South Africa and with Ethiopia and Malawi, which were there to represent Africa, Britain mobilised the G20 behind

"the vision of a free trade area"

for Africa. Only 10% of Africa's trade is within the continent of Africa, so knocking down the trade walls between African countries can help unleash economic growth, which will benefit them and us, too.

Fourthly, on imbalances, there are huge trade surpluses in some countries and deficits in others. According to the IMF, such balances are forecast to get worse, not better. Alongside protectionist pressures, we have seen the sign of so called "currency wars". The G20 agreed the Seoul action plan, which included agreeing to move

"towards more market determined exchange rate systems"

and to refrain from "competitive devaluation of currencies". However, the issue of trade imbalances goes beyond currencies. Just as countries with big budget deficits must cut public spending, which is right for them and for the world economy, so countries with big trade deficits need to save more, consume less, and export more. If that is not accompanied by higher consumption by surplus countries, world growth will be lower and protectionist pressures higher and we will repeat the mistakes of the past. In the end, it is as simple as that.

By acting together, we can maximise world growth and cut world unemployment. Imbalance is not some obscure economic issue; it is about jobs.

Trade imbalances have also led to an imbalance of funds—a wall of money in the east and a wall of debt in the west. That was part of the problem that helped pump up some of the bubbles that led to the crash that affected us all. As part of the Seoul action plan, we agreed that we would

"pursue the full range of policies to reduce excessive external imbalances and maintain current account imbalances at sustainable levels."

The issue of imbalances will never be solved overnight, but the key thing is that it is being discussed in a proper, multilateral way, with some progress being made.

On other issues, the summit also delivered important progress on financial regulation and the reform of global institutions. To those who say that the G20 is not effective, I say that the last Basel accord on capital ratios, Basel II, took nine years. With the G20 behind it, Basel III has been done in just 18 months. Reform of the IMF to make it more representative of the global economy has been discussed year after year. The G20 has finally got the deal done.

On climate change, President Calderon briefed the G20 on the plans for Cancun and we received a report from the UN Secretary-General's high-level advisory group on climate change financing.

This summit delivered important progress in managing the tensions that are present in the global economy. In my visits to China and the G20 summit, we have protected and promoted our national interests. We have taken vital steps towards the strong, balanced and sustainable global growth that we need. We secured recognition for acting on the deficit, support for more action on trade and development and agreement on working to rectify the imbalances that threaten global economic stability. Ultimately, this will win more jobs and growth for Britain, and I commend this statement to the House.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I thank the Prime Minister for his statement and advance notice of it. We should all agree with what he said about Burma. As we celebrate the freedom of Aung San Suu Kyi, we must remember that there is still a long journey before there is a free and democratic Burma. I also welcome the release of Paul and Rachel Chandler. I am sure that the whole House wants to send them its best wishes. I welcome the Prime Minister's work on his visit to China.

Turning to the G20 summit, I welcome the South Korean Government's success in keeping development on the agenda. Development aid is important for the lives it saves, but, as the Prime Minster says, it makes an important contribution to global growth. I also welcome the fact that he pressed the G8 countries that were in Seoul to keep their promises on aid, as we are.

Turning to climate change, will the Prime Minister tell us how the promises made at Seoul will be turned into action at Cancun? We welcome the continuation of work to reform the financial regulatory framework that was set in motion at previous G20 meetings. The increased stringency of the Basel committee's capital requirements is a welcome step in making banks across the world more stable, but further work is needed to implement those reforms, and we recognise that that is difficult. Will the Prime Minister tell us how to balance the need for financial stability with the need for economic recovery and growth?

We all know that, for the UK, global economic growth is always important. We are a trading nation. Jobs in this country depend on strong exports, which in turn depend on a growing global economy. Will the Prime Minister acknowledge that that dependence is even greater because of the decisions that he has taken on the economy here at home? Cutting public spending and increasing VAT will dampen domestic demand, and that will hit jobs. The Office for Budget Responsibility has shown that because of the cuts that he is making, Britain must increase exports by more than £100 billion just to sustain growth and jobs. How can that happen if our export markets are failing to grow?

Does the right hon. Gentleman recognise that the global economy on which we are now even more reliant is fragile? That is why this G20 was so important. The most recent figures show that growth in our largest export market, Europe, has halved and that the US is still facing high unemployment and slow growth. Does he acknowledge that with growing disagreements between major economies about currencies and trade restrictions, co-ordinated action through the G20 is more important than ever? Does he recognise that this G20 was a missed opportunity?

No one expected the problems to be solved overnight, but it is a problem that the summit provided no co-ordinated action to support jobs and growth worldwide, little progress on reaching agreement on currencies, particularly between China and the US, little assurance by way of anything practical to prevent a resurgence of protectionism, and no concrete action to restart the Doha round of trade negotiations.

This was the fifth G20 summit since the global financial crisis hit in 2008. During that time, the UK provided leadership for co-ordinated global action. Why did the Prime Minister fail to offer that leadership in the run-up to and at Seoul at such a crucial time for jobs in this country and for the global economy? The question that everyone is left asking is, what was his strategy? What was he aiming to achieve? Did he have any proposals for jobs and growth? What were they?

No one expected that the summit would be straightforward, but the problem is that no one even knew what the Prime Minister was trying to do. Tonight he will say in a speech that Britain is

"at the centre of all the big discussions. Producing the ideas."

So what were his ideas for the G20 and what did he say in those big discussions? Is it not the case that because he has not taken action on jobs and growth in Britain, he cannot lead in the debate about jobs and growth internationally? Is it not the truth that because he refuses to recognise that the economic crisis was global, he cannot engage with international efforts to tackle it? Britain needed to send a statesman to that summit, but all we sent was a spectator. By watching from the sidelines of the G20, the Prime Minister has let Britain down.

The Prime Minister: Oh dear. First of all, it is lovely to see the right hon. and learned Lady back.

[The Prime Minister]

On the Chandlers, I very much agree with what the right hon. and learned Lady said. I spoke to Paul Chandler this morning. It is hard to imagine what that family has been through, and it is great that they are now safely in Kenya and are soon to fly home. I am sure the whole House will want to wish them well.

Let me try to answer all the right hon. and learned Lady's points. On development, which is something that Britain very much puts on the agenda at such meetings—I spoke up very firmly about the pledges that we had made—she is right in one sense. We talk about global imbalances. There is a huge imbalance between the rich world and the poor world, and if we can get people in the poorest parts of the world to join the world economy, we will all benefit.

On climate change, the key point is we are prepared to sign up to another Kyoto-style period, but we have got to have global agreement where others agree to sign agreements as well. That is the point that we will continue to push. The right hon. and learned Lady raised a point about the introduction of the Basel III accords and how we balance wanting safety in our financial institutions with an increase in bank lending. That is one of the reasons why Basel III is phased in the way it comes in.

The right hon. and learned Lady raised the issue of the deficit and made the usual accusation that, in Britain, we are acting too fast in dealing with it. I just think that Labour is completely wrong about this. The alternative to dealing with the deficit would not be some beautiful period of uninterrupted growth; it would involve putting ourselves in the same category as countries in which interest rates are rising and confidence is falling. That is the alternative, and that is where she and her party would have landed us.

The right hon. and learned Lady said that there were great disagreements over currencies, but if she looks at the language of the communiqué—perhaps next time she will read it before writing her script—she will see a lot of agreement on not having competitive devaluations over imbalances. She is right to say that this issue is not going to be solved overnight; I said that in my statement. We are asking different countries to do different things in order to achieve a maximum global outcome. That is tough and difficult, but there was progress at the summit. I also heard direct from the Chinese about their plans to rebalance their own economies.

The right hon. and learned Lady asked what we had brought to the table. The idea of a pan-African trade deal was not on the G20 agenda; we put it on the G20 agenda. The idea of pushing further ahead on Doha by making the deal bigger was a French, German and British initiative that we did at Doha and that pushed the Americans and others to go further. On the issue of imbalances, the key compromise to get the Americans and the Chinese together was again something that was pushed very much by the Germans and the British.

I think that the right hon. and learned Lady is completely wrong about this. If Labour had been at this G20, it would have been completely isolated over the issue of the deficit. Everyone else in the room was signing a communiqué on how we have to take early action on deficits. That is the consensus, but Labour is completely outside the consensus. One group of people represented at the meeting was the International Monetary Fund, and I suspect that if she had been there, she would have been locked in a room with them.

Sir Peter Tapsell (Louth and Horncastle) (Con): Did the G20 discuss the situation of the Irish banks which, because of the potential knock-on effects, could pose as great a threat to the world economy as did Lehman Brothers, AIG and Goldman Sachs in September 2008? If so, what view did the Prime Minister's colleagues take of Chancellor Merkel's stated determination not to allow her taxpayers to bail out the gamblers who made great fortunes by taking the risks that have created the present crisis, even if that led to the default of national banks?

The Prime Minister: My hon. Friend asks an important question. The issue of Ireland was not specifically discussed at the G20. A statement was issued by a number of European Finance Ministers, including my right hon. Friend the Chancellor of the Exchequer, about the mechanism that will be put in place in the eurozone, because there was a concern that what had been thought about was having a negative impact on Ireland. Obviously, eurozone and European Prime Ministers and Finance Ministers at these gatherings always meet and discuss the health of the European economy and the eurozone. I do not want to speculate about another country's finances. I recognise that the Irish are taking very difficult action to try to get their own fiscal situation under control. Like the United Kingdom, they obviously have very large banks that have got themselves into difficulty and that have to be managed out of the process. We very much hope that all that will take place.

Mr Denis MacShane (Rotherham) (Lab): I welcome the Prime Minister's warm words on the release of Aung San Suu Kyi, but, a little to the north and east, in China, a fellow Nobel peace laureate, Liu Xiaobo, is rotting in a communist prison. Why did not the Prime Minister have the guts to mention his name and call for his release in public?

The Prime Minister: What I did, which was the right thing to do, was to have a very frank exchange about human rights with the Chinese in the meetings that we had, and I can tell the right hon. Gentleman that nothing and no one was off the agenda.

Simon Hughes (Bermondsey and Old Southwark) (LD): May I associate myself and colleagues with the warm words about Aung San Suu Kyi and congratulate the Prime Minister on his mission to China?

I have read the communiqué, which contains an undertaking to ensure that we have a

"resilient financial system by reining in the past excesses of the financial sector and better serving the needs of our economies."

What does that mean in practice for ending in the G20 excessive bank profits and bonuses and excessive use of tax havens?

The Prime Minister: There is very strong agreement that we need to deal with the issue of tax havens. My right hon. Friend the Chancellor made an announcement about that while he was in Seoul. We can see real progress in the G20 on the nuts and bolts of regulation, particularly of levels of capital through the Basel accords, but also progress covering the issues that the hon.

Gentleman mentions. National steps should also be taken, and I know that he very much supports the bank levy that we have put in place, which is raising serious money. In a way, it is saying to the banks that it is right that they should now be making a contribution as we deal with our fiscal deficit.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): I, too, very much welcome the great news from Burma.

Industry and manufacturing remain at the heart of the Welsh economy. With the pound having weakened against a basket of currencies—it is down 25% since 2007—we should really be looking for an export-driven recovery. What has the Prime Minister been able to secure, through the recent trade mission and the G20 talks, that will aid that recovery and hopefully help Welsh and English manufacturing and industry?

The Prime Minister: A series of deals were agreed while my ministerial colleagues and I were in China, including a very large deal involving Rolls-Royce. It is also worth remembering that the trade mission that President Sarkozy spoke of included a very large Airbus deal, which I know has very positive effects for Britain and indeed Wales.

The hon. Gentleman is right to say that our export performance needs to improve. Obviously we have seen a change in the level of our currency, but I am focusing on ensuring that all the things that UK Trade Investment and the Government can do to help our exporters are in place. I will go on leading missions to fast-growing parts of the world. So far, in six months, I have been to Turkey, a very fast-growing economy that some people call "Europe's BRIC"—a reference to Brazil, Russia, India and China. I have been in the largest trade delegation ever taken to India, and now in the largest one to China. I am going to keep up with that. I think it is important that we get behind our exporters and help them to create jobs in our countries.

Mr Peter Lilley (Hitchin and Harpenden) (Con): Can my right hon. Friend confirm that, should there be a rescue operation for any eurozone member under the European financial stability pact, the only reason why there is a danger that Britain may be required to contribute under qualified majority voting is that the last Labour Chancellor of the Exchequer shamefully signed up to that requirement after the election but before the coalition Government were formed?

The Prime Minister: My right hon. Friend is entirely right. The European financial stability mechanism, which was established just before this Government came to office, was established on the basis of qualified majority voting. It allows money to be spent with a budget that lies between the European budget and the own resources ceiling is, and yes, that money could be distributed in the way that he says.

That is not to be confused with the European financial stabilisation facility, which does not involve the UK. I also point out to my right hon. Friend that the treaty amendment that the European countries are looking at will not affect Britain's potential contributions. However, he is right that the financial stability mechanism was established before this Government came to power and very much against our advice.

Several hon. Members *rose—*

Mr Speaker: Order. I point out that Members who came into the Chamber after the Prime Minister started his statement should not expect to be called. That is the convention, and we are sticking to it.

Keith Vaz (Leicester East) (Lab): Did the Prime Minister have an opportunity to discuss with President Obama and others the situation in Yemen? After the bomb was discovered at East Midlands airport, the Prime Minister rang President Ali Abdullah Saleh, and he knows that the situation is absolutely desperate there. What help can we give countries such as Yemen?

The Prime Minister: The right hon. Gentleman makes an extremely good point. I did discuss that with President Obama. What is happening in Yemen should be absolutely at the top of the list, because of the al-Qaeda threat that is coming out of that part of the Arabian peninsula. President Obama and I agreed that we have to take a mixture of steps. One of the problems is encouraging President Saleh to see that the al-Qaeda threat is a threat to his own country and needs to be top of the list of what he wants to address. Obviously Yemen also faces problems with rebels in the south and Houthi rebels in the north, but we have to convince it that the al-Qaeda threat is a threat to all of us and to the security of the world, and that is what we will do through aid, through the Friends of Yemen process and through every other means at our disposal.

Mr Edward Leigh (Gainsborough) (Con): The deputy leader of the Labour party asked my right hon. Friend what his agenda is. Is his agenda that when he returns in triumph from his 10th or 20th G20 conference, he can tell the House that he has turned round our economy by creating a small-government, flat, low-tax and privatised economy?

The Prime Minister: My hon. Friend gives me an extremely good script. My agenda at such gatherings is to stand up for Britain's national interests. Above all, as a trading nation, that is about keeping the markets of the world open, and making sure that British business can create wealth and jobs around the world. That is the agenda we should have. When we are trying to get our economy growing at home, it is very important that we focus on those things that most help us back here in Britain.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I listened carefully to what the Prime Minister had to say about competitive devaluation and rebalancing the Chinese economy. Will he say precisely what the Chinese agreed to do about the renminbi, and what he thinks is the most desirable action?

The Prime Minister: There are two points, the first of which is on what is in the communiqué. Everybody signed up to avoiding competitive devaluations and moving towards market-led exchange rate systems. I accept that those are words, but they are positive. The fact is that China and America are discussing their differences and issues in a multilateral agenda. The second point is that it is in the interests of China itself, and indeed in its five-year plan, to see a growth of

[The Prime Minister]

domestic demand as the next driver of its economy. That is good news for Britain, America and the deficit countries, but it is also in China's own national interest. We should try to flag that up whenever we talk to the Chinese about that.

Mr William Cash (Stone) (Con): Will my right hon. Friend accept my enthusiastic applause for his principle of free trade, the growth of small businesses and all that goes with that in international affairs? Will he explain how he will achieve that without achieving competitiveness in the European Union—the imperative competitiveness to which he has referred in the past—and deregulation, including the repatriation of social and employment legislation from the EU to the UK?

The Prime Minister: I thank my hon. Friend for his question. My point—this is perhaps the point of difference between us—is that although I think the EU has taken too many powers and become too federal, as it were, I believe that at the moment quite a lot of like-minded EU Governments are on the centre and centre right of politics. They want deregulation, competitive markets and an agenda that means that we can reform the structures of our economies and get growth. That is true of the Germans, the Dutch, the Swedes, the Danes and many others. They are natural allies for us and we should push forward the deregulation agenda in Europe. I intend to do so.

Mr Ronnie Campbell (Blyth Valley) (Lab): Is the Prime Minister confident that there will be no currency war? If there is a currency war, how will it affect Britain?

The Prime Minister: Obviously, we will not benefit from pressures between America and China over trade and currencies. They are the No. 1 and No. 2 economies in the world, and it is in our interests to anchor them in the G20 where we can discuss those things rationally, rather than see the eruption of trade and currency wars. No doubt there are big protectionist pressures in the world today, but they are very much against our interests, because we export more per head of population than most other countries in the world. We must therefore keep those markets open. That is why we must work so hard through forums such as the G20 to make sure that that happens.

Dan Rogerson (North Cornwall) (LD): I hope the Prime Minister had the opportunity to visit the Great Wall—he knows from our previous discussions how important ancient boundaries are to me.

In answering other hon. Members' questions on the currency issue, the Prime Minister has repeatedly referred to positive progress between China and America. Will he take every opportunity to ensure that the voice of this Government is felt keenly in those discussions?

The Prime Minister: I thank my hon. Friend for his question. I was worried for one minute that he was about to build the Great Wall of China along the Tamar river. For those of us who still enjoy holidaying in Cornwall, that would be a bad step—we might not be allowed in!

We should not overstate our influence, but nor should we understate it. Britain is an economy and country that is listened to in such forums. We are always in the vanguard of arguing for free trade and against protectionism, and we try to bring countries together, as we did with the Germans, to try to help to broker agreement on imbalances, and to make sure that the G20 can move forward.

David Simpson (Upper Bann) (DUP): I understand the Prime Minister's point on protectionism and the imbalance. There has been good news about exports and we need to keep that market open, but how do we protect British industry from imports from countries such as China that have very low-wage economies?

The Prime Minister: I think that would be a mistake; I do not believe that protectionism works. If we took the view in this country that we should raise some trade barriers to Chinese goods, we would just be putting off the day when we have to be more competitive, work out how to get up the value chain and produce goods that the Chinese want to buy. I am more optimistic; I think that when we see the Chinese economy develop and we see a growing Chinese middle class, we will find that they will want the goods, brands and services that we produce in this country. I think that we should be more confident, recognising that free trade has been a great growth motor for the world economy and is not something we should fear.

Mark Pritchard (The Wrekin) (Con): Although nobody in the British Government is suggesting bailing out the Irish economy, is it not the case that 40% of UK trade takes place within the eurozone and that a stable Ireland and a stable eurozone is very much in the UK national interest?

The Prime Minister: My hon. Friend makes an extremely good point. Not only that, but Ireland is an enormously important trading partner for Britain. It is a fact that we export more to Ireland than to Brazil, Russia, India and China combined. That is a rebuke to us, because we have to do better with those other countries, but Ireland is an extremely important trading partner, and stability and success in the Irish economy is very much in Britain's interests.

Valerie Vaz (Walsall South) (Lab): I thank the Prime Minister for making representations to free Aung San Suu Kyi. He said that nothing was off the agenda. Will he say whether he discussed Iran in general and, specifically, the case of Sakineh Ashtiani?

The Prime Minister: I did have discussions about Iran, particularly with the Chinese, but also with other world leaders at the G20. The point we are continually pushing is the importance of maintaining the sanction regime and making sure it holds, because it is potentially having a huge impact on the Iranian regime and we should keep it up. I did not raise the specific case that the hon. Lady mentions, but I have raised it in other ways with others.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): Does my right hon. Friend agree that as part of our plan to rebuild the broken economy left to us by the

Labour party, supporting science and technology-based companies, of all sizes, is vital? What practical measures are in place following the confirmation of the free trade agreements that he got at the summit?

The Prime Minister: First, we are not making reductions in the science budget. It is being frozen in cash terms, and that is absolutely right. Secondly, the next group of Ministers to go to China will include my right hon. Friend the Minister for Universities and Science. He will go out there for specific talks, because the Chinese want to examine the specific areas where they can link up with us. In terms of scientific research, Britain already does more partnering with Chinese scientists than many other countries.

Chris Williamson (Derby North) (Lab): Two years ago, the then British Prime Minister galvanised world leaders to prevent a worldwide recession from turning into a worldwide slump. Because of this Prime Minister's cuts in public spending, companies in my constituency will rely more on the export market and his policies will throw at least 1 million people out of a job. Can he explain to the House how his being a spectator at this year's G20 summit will assist the companies in my constituency to secure the foreign orders that they desperately need?

The Prime Minister: If the hon. Gentleman wants to help businesses in his constituency, he should stop talking the British economy down. Whatever he says about the previous Prime Minister, who is not here today to join in the discussions, the fact is that the right hon. Gentleman left Britain with the biggest budget deficit in the G20. When we looked at the countries around that table, which included those such as Argentina, we found that we had a bigger budget deficit than they did. That is why we are having to deal with the deficit—the mess that the previous Prime Minister left behind.

Charlie Elphicke (Dover) (Con): My constituents in Dover and Deal will find the Prime Minister's focus on jobs, money, the national interest and sorting out our house refreshing. Will he tell the House more about how his work with India and China and trade missions there has helped our economy? Did it strengthen us at the G20?

The Prime Minister: Some people say that it is quite old-fashioned to pile an aeroplane full of business leaders and fly them off to India, China and the rest of it. I do not agree. It is important to try to bash down the door in order to secure trade in different countries, and the enthusiasm and energy that you show does actually have an impact, because you want to make sure that Indian universities are looking to link with British universities and Indian firms are looking to link with British firms. So, yes, making a bit of noise and taking a good team of business leaders over does make a difference, and I think that we will see trade, jobs and two-way investment as a result.

Chris Bryant (Rhondda) (Lab): One of the inequalities in the world is the tax haven status that many territories enjoy. It has a profoundly deleterious effect on the economies of some of the poorest countries in the world, so does the Prime Minister believe that Cayman should maintain its tax haven status, or will he take action to prevent it from retaining that status?

The Prime Minister: We do work hard to try to deal with the issue of tax havens, because every pound not paid in tax to the UK is a pound that we have to raise from somewhere else, and we have been working hard on that agenda. We have just done a very good agreement with Switzerland, and that will result in a huge amount of extra tax revenue being collected.

Julian Smith (Skipton and Ripon) (Con): May I congratulate the Prime Minister on the billions of pounds' worth of deals done on his recent trip? Will he pay tribute to UK Trade & Investment's role and please ensure that it keeps replicating that improved performance for British business and, particularly, Yorkshire business over the coming months?

The Prime Minister: My hon. Friend is right to speak up for UKTI. It does an incredibly important job linking British businesses with businesses the world over. One of the things that I have found in the past is that, while other Ministers visiting this country have always had a very clear list of the bilateral deals on which they have wanted to see progress and action, we in this country have not been as good at that. It is about time that we were, and I am making sure that that happens.

Chris Leslie (Nottingham East) (Lab/Co-op): The Chancellor has been promising international progress on the financial activities tax since way before the summer. Why did the Prime Minister fail to make more progress on that issue at the G20?

The Prime Minister: That issue is being discussed, but it is a difficult issue on which to get agreement from all G20, or even all EU, members. That is one reason we pushed ahead with the bank levy. The previous Government took the view that a bank levy could not be introduced until everyone agreed, but we would not have that revenue, and we would have to find it from somewhere else, if we had not taken the right, unilateral and brave action to put in place a bank levy.

Joseph Johnson (Orpington) (Con): Will the Prime Minister join me in welcoming to Westminster today the large delegation of Indian chief executives, many of whom he met on his trip to India in July, who are here to discuss ways of deepening trade and investment ties between the UK and India?

The Prime Minister: There is a very impressive team of Indian CEOs, some of whom are here to discuss climate change, green-tech jobs and how we can exchange technology and investment between our economies. That is an incredibly promising agenda. We have a very good green-tech sector and a lot of expertise in technology, and many other countries—India, in particular, perhaps—would like to see that technology brought to bear in their own countries, which, again, means jobs for them, jobs for us.

Alison McGovern (Wirral South) (Lab): Keeping the economies of low-income countries open is one thing, but growth is quite another. What agreements was the Prime Minister able to make on infrastructure investment for low-income countries?

The Prime Minister: One of the things that we are able to do, by having an aid budget that is rapidly growing and meeting our 0.7% target, is to make infrastructure investments in developing countries, and we will go on doing that. It gives Britain some leverage in the world, because you are able to look around that table and ask others to step up to the mark and meet the promises that they have made.

Andrew Selous (South West Bedfordshire) (Con): Does my right hon. Friend think that this country might export more to China if more of us spoke Chinese? If so, does he think that the matter should be looked at in the education system?

The Prime Minister: I do. My hon. Friend is entirely right, and that is why the Education Secretary, who was on such robust form earlier, was in China with me, signing an agreement with the Chinese Government on the teaching of English in China, but also the teaching of Mandarin in our schools. It is extremely—*[Interruption.]* The Education Secretary speaks perfect English; I do not know what hon. Members are talking about. However, I think that the agreement is a very important step forward.

Toby Perkins (Chesterfield) (Lab): For much of the past decade, Ireland was held up by Conservative Members as an example of the direction in which we should have been taking our economy. Now, because Ireland has followed a strategy that largely involves having the same medicine that the Prime Minister is recommending for this country, it is seeing markets questioning its economy, interest rates rising and confidence falling. What lessons has the Prime Minister learned from the situation in Ireland?

The Prime Minister: I think that the biggest lesson is that the Irish followed one key new Labour policy, which was to join the euro. Fortunately, new Labour did not have the courage and bravery to follow through its own manifesto and listened very carefully to my right hon. Friend the Member for Richmond (Yorks) (Mr Hague), who fought a very strong campaign to keep us out of the euro.

Matthew Hancock (West Suffolk) (Con): I welcome the language in the communiqué on imbalances and the recognition that more needs to be done. Given the clear language in the communiqué and the support for dealing with deficits, can the Prime Minister think of any credible group that now opposes action on the deficit?

The Prime Minister: It is difficult to find a group that is against dealing with deficits. I think that even Cuba has now recognised that we need to take action—and that is the point. The G20 is united in the fact that we need to deal quickly with large and excessive deficits. That was the conversation around the table, and that is what is in the communiqué. There is only one group of people I can think of who would have been in the deficit denial corner: the Labour party.

Damian Hinds (East Hampshire) (Con): On aid, does my right hon. Friend agree that, as well as the altruistic aim, there is also self-interest, both in reducing the number of lawless places in the world and increasing gross world product, which benefits everybody? Does he agree that in these difficult times the case must be made repeatedly to the public that such investments are perfectly rational, when well-targeted and, crucially, when the G20 is acting in concert?

The Prime Minister: My hon. Friend is right. We have to make this argument, because there is no doubt that a lot of people in our country look at a growing aid budget and think that that is money not well spent; they think that that money should be spent elsewhere. We have to make the argument that this is not just a moral argument about relieving poverty in the poorest parts of the world; it is also about avoiding conflict and about investing money upstream so that we do not end up with the Afghanistans and other broken countries. When we look at places such as Yemen and Somalia, it is quite clear that we need to have active aid programmes to try to help stitch those countries back together before we reach more serious problems.

Mr Geoffrey Robinson (Coventry North West) (Lab): The House will have admired the Prime Minister's evasive action on the issue of Ireland. He must be aware that it was the very strong view of the previous Government that we should not go into the euro and we were successful in that respect. What lessons, apart from that, can he now draw from the Irish situation? The Irish have been exemplary in every respect in pursuing the course that he has embarked on, and they have ended up in the mess they are in at the moment.

The Prime Minister: I do not want to make life difficult for the Irish at a time when they are trying to take difficult decisions about their own economy. However, they had a consumer boom, a property boom and badly regulated banks—some of the mistakes made by the Government of whom the hon. Gentleman was briefly a member—and they added to that the issue of euro membership. I always think that the great lesson from the exchange rate mechanism is that the euro is the exchange rate mechanism without an exit, and that is the problem.

Legal Aid and Civil Cost Reform

4.18 pm

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): With permission, Mr Speaker, I wish to announce today proposals for the reform of legal aid in England and Wales, and proposals for the reform of civil litigation funding and costs in England and Wales.

I have today laid before Parliament two documents, "Proposals for the Reform of Legal Aid in England and Wales" and "Proposals for the Reform of Civil Litigation Funding and Costs in England and Wales", which consult on these issues; copies will be available in the Vote Office and on the Ministry of Justice's website. The changes will require primary legislation and, subject to consultation, I hope to include proposals in a Bill as soon as parliamentary time allows.

I would like to apologise to the House, Mr Speaker, for the well-informed although not wholly accurate leaks of my proposals that appeared in the newspapers at the weekend, which caused me to bring forward this statement. I was hoping to abide by the convention of announcing this to Parliament, but it was obviously going to run for the week if I left it until Thursday to make the announcement.

Legal aid forms a vital part of a system of justice of which we are rightly proud. The Government strongly believe that access to justice is a hallmark of a civilised society. However, I believe that there is now a compelling case for going back to first principles in reforming legal aid. The current system bears very little resemblance to the one that was introduced in 1949. Legal aid has expanded, so much so that it is now one of the most expensive such systems in the world, costing the public purse more than £2 billion each year. It is now available for a very wide range of issues, including some that do not require any legal expertise to resolve. It cannot be right that the taxpayer is footing the bill for unnecessary court cases that would never have even reached the courtroom door, were it not for the fact that somebody else was paying.

The previous Government made many attempts to reform legal aid, conducting more than 30 consultations since 2006. However, successive changes have been of a piecemeal nature and have failed to address the underlying problems. I have gone back to basic principles to make choices about which issues are of sufficient priority to justify the use of public funds, subject to people's means and the merits of the case. I have taken into account the importance of the issue at stake, the litigant's ability to present their own case, the availability of alternative sources of funding and alternative routes to resolving the issue, as well as our domestic and international legal obligations.

My proposals have also been designed with the aim of achieving significant savings. No other Government in the world believe that the taxpayer should pay for so much legal aid and litigation as we do in the United Kingdom. We have made clear our commitment to reducing the fiscal deficit to encourage economic recovery. Last month's spending review set out the scale of the challenge. My Department's budget will be reduced by 23% over four years. Legal aid needs to make a substantial contribution to that reduction. I estimate that the proposals in the consultation paper, if implemented, will achieve savings of about £350 million in 2014-15.

I do not propose any changes to the scope of criminal legal aid. However, I propose to introduce a more targeted civil and family scheme that will discourage people from resorting to lawyers whenever they face a problem and instead encourage them to consider more suitable methods of dispute resolution. Legal aid will still routinely be available in civil and family cases where people's life or liberty is at stake, or where they are at risk of serious physical harm or immediate loss of their home. For example, I plan to retain legal aid for asylum cases, for debt and housing matters where someone's home is at immediate risk and for mental health cases. It will still be provided where people face intervention from the state in their family affairs that may result in their children being taken into care, and for cases involving domestic violence or forced marriage. I also propose that legal aid should remain available for cases where people seek to hold the state to account by judicial review and for some cases involving discrimination that are currently in scope. Legal assistance to bereaved families in inquests, including for deaths of active service personnel, will also remain in scope.

However, prioritising those areas requires that we make clear choices about the availability of legal aid in other areas. Therefore, we propose to remove from the scope of the scheme issues that are not, generally speaking, of sufficient priority to justify funding at the taxpayer's expense. I therefore propose to remove private family law cases, unless domestic violence, forced marriage or child abduction is involved. I will continue to provide funding for mediation, which can benefit those involved in family disputes by avoiding long, drawn-out and acrimonious court proceedings.

Other cases that I am proposing to remove from the scope of the civil legal aid scheme include clinical negligence, where, in many cases, alternative sources of funding are available, such as no win, no fee arrangements. The cases I am proposing to remove from scope also include education, employment, immigration, some debt and housing issues, and welfare benefits, except where there is a risk to anyone's safety or liberty, or a risk of homelessness. In many of these, the issues are not necessarily of a legal nature, but require other forms of expert advice to resolve.

I recognise that there will be some cases, within the areas of law I propose to remove from scope, that international or domestic law will require to be funded by the taxpayer. I therefore propose a new exceptional funding scheme for excluded cases. I want to ensure that those who can pay for or contribute to their legal costs do so, so that we ensure continued access to public funding in those cases that really require it for those who have little or no funds of their own. On eligibility, therefore, I propose that all clients with £1,000 or more of disposable capital should make a minimum £100 contribution to their legal costs, and that the capital of any prospective legal aid clients is taken into account when considering eligibility.

I also looked at how best to reform the way in which we pay lawyers who provide legal aid services. I want to ensure that criminal cases are resolved quickly and cost effectively, and that legal aid fee structures support that aim. In the long term, I propose to fulfil the recommendation that Lord Carter of Coles made to the

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previous Administration to move towards a competitive market to replace the current system of administratively set fee rates. It will not be possible, however, to fulfil that aim in the short term. I am therefore proposing some more immediate changes to the current fee structure.

I propose to ensure that in Crown court cases that could realistically have been dealt with in the magistrates courts, a single fixed fee for a guilty plea will be paid based on fee rates in the magistrates court. I also propose that the same fee should be paid in respect of a guilty plea in the Crown court regardless of the stage at which the plea is entered, and to do more to contain the costs of very high-cost criminal cases. These proposals complement other reforms to the justice system that I will be bringing forward designed to encourage cases to be brought quickly and efficiently to justice, so sparing the victim the ordeal of giving evidence in court unnecessarily, and sparing the justice system significant but avoidable costs.

It is important to strike a balance between the need to ensure that legal aid provision is innovative, efficient and good value for taxpayers' money on the one hand, and ensuring that people can continue to access legally aided services where necessary on the other. I believe that more can be done to strike the balance. I propose to reduce fees paid in civil and family cases by 10% across the board, and to make similar levels of reductions in rising experts' fees. I also propose to extend telephone access to advice through the Community Legal Advice telephone helpline, which has a high rate of public satisfaction, to help people find the easiest and most effective ways to resolve problems.

I am also consulting on proposals to make better use of alternative sources of funding for legal aid. In particular, I would welcome views on making use of the higher rates of interest generated on money invested in a pooled account used by solicitors to hold their clients' money, and on making use of a supplementary legal aid scheme. Lastly, I seek views on how to make the administration of legal aid less bureaucratic for solicitors and barristers doing legal aid work. I recognise that processes have become overly complex, and I want to do what I can to simplify these, while remaining consistent with the highest standards of accounting practice.

Furthermore, on 26 July, the Government announced their intention to consult on implementing Lord Justice Jackson's recommendations on the reform of civil litigation costs and funding arrangements. Sir Rupert Jackson's independent and comprehensive report, published in January 2010, makes a clear case that the costs in civil cases in England and Wales have become too high, and he makes a broad range of recommendations for reducing those costs. I am convinced by Sir Rupert's argument that achieving proportionate costs and promoting access to justice go hand in hand. I believe that the consultation proposals for the reform of civil litigation funding and costs presented today would help to rebalance access to justice with proportionate costs in civil cases.

In particular, Sir Rupert's proposals would reform the operation of no win, no fee conditional fee agreements. CFAs are funding agreements under which lawyers are not paid if they lose, but may charge an uplift or a success fee of up to 100% on their base costs if they win. CFAs, as they currently operate, allow claims to be brought at no financial risk to individual claimants, but the other side of that coin is that CFAs impose substantial additional costs on defendants. The Government have already accepted the recommendations of my right hon. and noble Friend, Lord Young of Graffham's recent report on health and safety and the compensation culture, entitled "Common Sense, Common Safety". His typically cogent report endorses Sir Rupert's proposals.

The key proposal is to abolish recoverability of high success fees and the associated after-the-event insurance premiums in CFA cases. Under the current regime, defendants must pay those additional costs if they lose, and they may be substantial, as the success fee may be double the base legal costs. In addition, significant costs may arise from claimants' purchase of after-the-event insurance. ATE insurance may be taken out by parties in such cases to insure against the risk of having to pay their opponent's costs and their own disbursements if they lose. We are proposing that claimants should have to pay their lawyer's success fee. They will, therefore, take an interest in controlling the costs being incurred on their behalf. That will also reduce the disproportionate costs burden on defendants.

We are also seeking views on implementing other recommendations by Sir Rupert, which are designed to balance the impact of these major changes, and in particular to assist claimants. The recommendations include a 10% increase in general damages to help the claimant to pay the success fee, and a mechanism of qualified one-way costs shifting. That would protect the vast majority of less well off claimants from having to pay a winning defendant's costs and therefore reduce the need for ATE insurance.

We also propose to allow damages-based agreements or contingency fees in litigation before the courts. These are another form of no win, no fee agreement, under which lawyers may take a proportion of the claimants' damages in fees. This would increase the funding options available to claimants.

Other proposals would further encourage parties to make and accept reasonable offers, and introduce a new test to ensure that overall costs are proportionate. We also propose to increase the modest costs that can be recovered by people who win their cases when they represent themselves without lawyers.

Taken together, my proposals complement the wider programme of reform that I will bring forward to move towards a straightforward justice system: one which is more responsive to public needs, which allows people to resolve their issues out of court using simpler, more informal remedies when appropriate, and which encourages more efficient resolution of contested cases when necessary. I commend this statement to the House.

Several hon. Members *rose—*

Mr Speaker: Order. I have been hanging on almost every word of the right hon. and learned Gentleman for at least the past 13 years, if not for some time before that. Today, his statement was a little in excess of the usual required time, and I shall allow for that, of course, in the shadow Secretary of State's response.

Sadiq Khan (Tooting) (Lab): I am grateful to the Lord Chancellor for giving me advance sight of his statement, and I note his apology at the beginning of it.

One must admire the mind-reading ability of senior journalists at *The Sunday Telegraph* and *The Times*. It was a huge discourtesy to the House, but it provided the advantage of 24 hours' notice of a statement to be made on the Floor of the House. I am grateful to both Patrick Hennessy and Simon Coates for their ability to do just that.

The Green Papers on cutting legal aid and reducing civil costs are among the most important that the Government have published to date. Legal aid is one of the pillars of the welfare state, and was set up by the Labour Government after the second world war. It plays a crucial role in tackling social exclusion, especially in hard times such as now. It ensures that everyone may have access to justice, regardless of their means. Under successive Governments, the legal aid budget has grown to the point where it now stands at more than £2 billion. That is not sustainable, especially in the current economic context.

I have six questions for the Lord Chancellor. The previous Labour Government had moved to cap the legal aid budget, and to reduce it. We also planned to turn the Legal Services Commission into an Executive agency. Do the Government have any plans to introduce legislation to achieve that aim?

In recent years, we brought the principle of fixed fees into civil and family legal aid cases, introduced means testing into magistrates and Crown courts, and on the very day that the general election was called we signed off on cuts to advocates' fees in the higher courts. We took these decisions because we recognised the need to reduce the legal aid budget. It is worth reminding the House that many of our actions were taken in the teeth of opposition, from both the legal profession and Conservative and Liberal Democrat Members. I am looking forward to hearing their contributions to this debate.

Let me be clear: had we been in government today, we, too, would have been announcing savings to the legal aid budget. That is a reality that we all have to acknowledge. The crucial questions are: where to make those savings, and how to spend the money that is left available. What equality impact assessment has the Lord Chancellor undertaken of the proposals? Our policy was—and is—to control the legal aid budget and get value for money for the taxpayer, while optimising services for people who need support the most. That is why we concentrated much of our investment on social welfare legal aid. Legal aid delivered has the power to change lives and save money. The housing possession court duty scheme, for example, saved thousands of people from repossession. It delivered a social and financial good. Are the Government committed to preserving that and similar schemes?

What balance do the Government intend to strike between civil and criminal cases? Can the Lord Chancellor explain why he is proposing more severe cuts in civil and family legal aid than in criminal legal aid? Can he say whether he agrees with the Attorney-General, who said that

"legal aid is no longer available for a large number of people who ought to be entitled to it"?

If so, in what areas does the Lord Chancellor intend to expand the provision of legal aid?

We will carefully consider the Green Paper on legal aid and the equally important paper on Lord Justice Jackson's review of civil legal aid costs before we respond in further detail. I would note, however, that Sir Rupert Jackson argued against cutting the legal aid budget, and the Lord Chancellor has decided to ignore that view. In conclusion, the basic test that we will apply in both cases is whether the proposals will deliver a saving to the public purse while ensuring that no one is denied access to justice because of their means.

Mr Kenneth Clarke: Mr Speaker, if I may, let me first respond to your comments. When I finalised the statement before coming here, I realised that it was far too long, but the fact is that the subject is complex and the leaks were quite detailed but not wholly accurate, so it was necessary to go through it with some care, for those outside this House as well as those within it. I am grateful for the fact that my shadow spokesman was given a little more warning of some of the statement.

I congratulate the right hon. Gentleman on acknowledging that Labour would have been reducing the legal aid bill as well—I came well armed with quotations from him and all his colleagues about their intention to reduce the legal aid bill. Indeed, it featured in the Labour party's manifesto at the election. It is starkly obvious that the England and Wales legal aid system has become far too expensive, and it is an obvious place to start tackling deficit problems, which has to be done on a logical basis. The Labour party had taken quite a lot of decisions and had made reductions, affecting criminal as well as civil legal aid, but the effect of what it did was largely to stabilise what had been the rapid growth of legal aid before that. Legal aid expenditure exploded in this county until about 1999. Thereafter, the Government wrestled with it, trying to bring it down, but they succeeded only in stabilising it. It is right to get legal aid expenditure back to something nearer to the norm in other democratic and common-law countries throughout the world, which we are far above at the moment.

We intend to go ahead with the last Government's proposal to make an agency of Government to replace the Legal Services Commission. That will have to feature in our legislation when it comes. We have, obviously, done an equality assessment, to have a look at the impact on various sectors of the population. Apart from the fact that the decision will obviously have an impact on the legal profession, affecting both barristers and solicitors, more importantly, one has to look at what impact it will have on gender, ethnic minorities and the poor. It is inevitably the case, of course, that litigation, and legal aid in particular, tend to be focused on the disadvantaged groups in society. Some aspects of legal aid are more resourced by women, as well as men; nevertheless, we have to be mindful of that. We have done an equality assessment, and we believe that the impact of the changes is, on balance, justified by the public interest in ensuring that the taxpayer pays only where there is a public interest in having a dispute resolved.

The right hon. Gentleman referred to the balance between civil legal aid and criminal legal aid and asked why, on this occasion at least, the scope of criminal aid is not affected. First, we already spend more on criminal than civil legal aid in this country. The reason we do so is that it is absolutely essential in the public interest to see that justice is done in every case. It is an unfortunate

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feature of our legal aid system—I accept it, and we always have accepted it—that we often wind up giving it to people who turn out to be rather unattractive.

Mr Jack Straw (Blackburn) (Lab): Or criminals.

Mr Clarke: Yes, or criminals.

Before bringing the full severity of law to bear on a criminal, however, we have to make absolutely sure that he is indeed the guilty party and that he has been given every chance to claim and demonstrate his innocence to save us from making a mistake. As the liberty of the subject is at stake in all serious criminal cases, we really cannot cut back the scope of criminal legal aid.

I think the reason why we spend spectacularly more than other countries on legal advice and litigation is that we have extended the legal aid system in the past to practically every kind of civil and family issue. That is why, when it comes to cutting back the scope, the present package on which we are consulting concentrates on those areas.

Sir Alan Beith (Berwick-upon-Tweed) (LD): The Justice Committee will look forward to an early session with the Lord Chancellor on the details of his proposals. Are not the issues around education, employment, debt and housing, which he says do not require special legal expertise, those on which people do need help, which they currently get through LSC contracts, citizens advice bureaux and neighbourhood law centres? From where else will they get that help in future?

Mr Clarke: In some cases, as with housing issues where a person's home is at risk and they may lose possession, we will continue to make legal aid available. Any cases involving the risk of homelessness or loss of liberty will still be covered by legal aid. The right hon. Gentleman gave a list and I will not deal with them each in turn, but they are all addressed in other ways than through litigation. Employment issues go before a tribunal, for example, and those tribunals were originally designed precisely to avoid representation by lawyers and legalism. They were designed to be more straightforward and accessible forms of justice. Debt certainly requires advice, but much of it is not so much of a legal nature as of a practical nature—advising how to cope with negotiating with creditors and sort out the management of the debts incurred. I agree with the right hon. Gentleman that citizens advice bureaux and other such organisations are a central source of this advice. We will have to consider how far we can continue to enable such organisations to step in and give a wider range of advice, which will be needed when we stop paying people to go to lawyers all the time, as we tend to on all these issues.

Mr Straw: May I endorse what my right hon. Friend the Member for Tooting (Sadiq Khan) said in every particular, including with respect to the commitment in our own manifesto to cut legal aid. The Lord Chancellor will understand that my right hon. Friend cannot endorse every particular of what is being put before the House at this stage, but he and I will, of course, examine the proposals with great care.

Let me ask the right hon. and learned Gentleman some specific questions about the proposals on criminal legal aid and guilty pleas. First, I have no argument with the principle, but is he certain that he will structure the payment systems to avoid giving any perverse incentive to lawyers, and therefore to defendants, not to continue to plead not guilty all the way through to the point of trial? That is a real danger.

Secondly, the right hon. and learned Gentleman says that where a case goes to the Crown court but it is judged that it should have been handled at the magistrates court, the fee will be paid only in respect of what would have been appropriate in the magistrates court. I understand that. Under the present legislation, however—I sought to change it, but the Conservatives, the Lib Dems and the other place overturned my attempt—defendants have an absolute right in either-way cases to take their case to Crown court. Unless the Lord Chancellor introduces primary legislation to change that, we are left with the odd situation in which the Legal Services Commission says that a case should not have gone to the Crown court while the defendant says that he has an absolute right to that under statute.

Several hon. Members *rose—*

Mr Speaker: Order. I have also been hanging on almost every word spoken by the right hon. Member for Blackburn (Mr Straw) for the last 13 years, but now I know what is meant by those who say that lawyers are paid by the word.

Mr Clarke: We are working on incentives to stop them from being paid by the word outside the House, Mr Speaker.

I am grateful to the right hon. Member for Blackburn (Mr Straw) for what he said. We both know that any responsible Government who had won the last election—any parties that had taken office—would have cut the legal aid bill. I think we should all remind ourselves of that, because, as we know, all kinds of lobbies outside who are adversely affected will start coming to us and telling us that the whole spirit of British justice is being undermined by the threat to their particular activities. We simply have to do this, and I hope that we can achieve a fair consensus on the sensible way in which to proceed.

The question of cases in which people do not plead guilty early enough is very serious. I hope we will ensure that we remove perverse incentives from the system, if they exist. The sentencing proposals that I shall present will recommend further inducements to people to plead guilty at an early stage—not only in order to save money and prevent time from being wasted, but in order to prevent victims and witnesses from fearing that they will have to attend court and give evidence, when that is actually a waste of time because the defendant will plead guilty in the end.

As for the question of either-way cases and those who opt for jury trial, I am afraid that I am one of the many Members who do not agree with the right hon. Gentleman that we should address it. I have always been a firm defender of the principle that anyone has the right to opt for jury trial, and the House has resisted any attempt to erode that right in recent years. The last Government's attempt to change the position was defeated

in the House of Lords during the last Parliament, and my party was elected—as, indeed, were the Liberal Democrats—on the basis of a firm commitment to retaining it. It is not just that I do not want to throw myself on the spears; I genuinely agree with those who believe that we should not alter the current ability to opt for jury trial.

Robert Halfon (Harlow) (Con): Following the decision to remove legal aid from clinical negligence cases, how will my right hon. and learned Friend ensure that the most vulnerable in such cases are protected, and are not exploited by ambulance-chasing lawyers?

Mr Clarke: At present, about half the total number of clinical negligence cases are brought on a no win, no fee basis, and about half are brought on legal aid. No doubt some are privately financed. No win, no fee is a perfectly suitable way of proceeding in clinical negligence cases. We have decided that that—as amended by Sir Rupert Jackson—is likely to be the way in which people will proceed in future. What we have done completes a process of steadily taking legal aid out of criminal injury claims, which has been going on for some years, and I commend it as a logical next step.

Keith Vaz (Leicester East) (Lab): The last Government, of course, also cut legal aid. The issue is quality, and how we focus that legal aid.

This morning, by chance, I visited our old college, where I saw the portraits of former Lord Chancellors who had attended it. When the college puts up a portrait of the current Lord Chancellor—or he may even be entitled to a mini-statue in the grounds—how would he like the epitaph to read, in relation to legal aid?

Mr Clarke: The last Government made many changes to legal aid, which stopped the increase in spending throughout most of the past decade. I have tried to return to basic first principles, and to ask "What is legal aid for?" Let us now put in place a logical structure that is defensible and may last.

I have not the first idea what kind of statue or picture that the college that I share with the right hon. Gentleman might ever erect to me. I do not think that a mini-statue would do justice to my full stature, but I should be very flattered if anything at all were put up. However, I trust that the college will acknowledge that we have tried to create a logical and defensible system which can be afforded by a civilised democracy that needs a legal aid system.

I should probably experience more difficulty in persuading my legal friends and the legal institutions to which I belong of the wisdom of all this than in persuading my old college.

Nick de Bois (Enfield North) (Con): I welcome the continuing support for asylum cases under legal aid, but I welcome even more the curbs on immigration cases under legal aid. Given that over the period of the last Parliament some £400 million was spent on combined asylum and immigration cases, can the Lord Chancellor confirm whether these proposals will make substantial reductions in that expenditure, and if so, can he give an idea of how much will be saved?

Mr Clarke: Yes, we certainly intend to confine legal aid in immigration cases to those where detention or liberty is an issue, or in respect of asylum to where there may be a duty to provide asylum to someone who has been facing persecution. Other than that, we will make considerable reductions in legal aid in immigration cases involving purely personal reasons, which can include someone who has come here on a student visa and wants to transfer to a different course. Many such cases will still be brought of course, but there is no reason why the British taxpayer should pay for legal aid. I hesitate to give an estimate off the cuff of how much we will save under that heading, and I should emphasise that all the estimates we are giving of how much we will save are, indeed, estimates, because successive Governments have found it very difficult to predict how much legal aid will actually cost. Much depends on demand in particular areas, which is often unpredictable and outside the control of the Government.

Ms Karen Buck (Westminster North) (Lab): Legal aid plays a vital function in creating a level playing field between the powerful and the powerless, and, even at a lower level, it must continue to do that. There are none so powerless as children. Will the Secretary of State clarify how he believes that children's interests should be protected, particularly in respect of special educational needs in what is an increasingly decentralised school system?

Mr Clarke: Serious issues arise for parents in educational cases, and, obviously, the interests of the children should be paramount, as they are in most other cases. The difficulty is that the problem to be resolved usually relies more on educational expertise than on the law, and too often we are financing people who argue about the process that has been followed to resolve problems, instead of finding the best way of resolving the merits of how best to teach the child, where the child should be taught, or what support the child should have. We believe it is simply not right for the taxpayer to help inject an element of what is really legalism into problems that should in the end be resolved taking into account the best interests of the child from an educational point of view. Some of these cases can be turned into enormous legal battles, which seem to me to be very far removed from the object of ensuring that a child is best educated in school.

Mr David Nuttall (Bury North) (Con): One group of people my constituents in Bury North would like to see excluded from the scope of criminal legal aid are Members of Parliament. Will the Lord Chancellor ensure that, in future, legal aid is not granted to any Member of Parliament accused of wrongdoing?

Mr Clarke: Considerable adverse comment was made about the unfortunate case of our recent colleagues who succeeded in obtaining legal aid for their defence because, I think, their case was listed in a Crown court that had not yet introduced means-testing. I can assure my hon. Friend that all Crown court cases that might involve legal aid will be subject to means-testing in future, and although MPs are not paid a king's ransom, all are likely to have resources that will put them beyond the reach of full legal aid, which some of our colleagues recently obtained.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Taking into account the Lord Chancellor's wish, stated this afternoon, to encourage more efficient resolution of contested cases, will he press the Legal Services Commission to negotiate a settlement with South Manchester law centre ahead of the scheduled judicial review next month, given that the LSC lost a judicial review to the Law Society at immense public expense on the same kinds of points? It is essential, both to my constituents and more widely, that the South Manchester law centre continues to be able to help people on low means.

Mr Clarke: I will inquire into the case that concerns the right hon. Gentleman, but I must point out that the Legal Services Commission is currently a totally independent body and is not subject to ministerial control. We propose to change its status and make it an agency, which would make it more directly accountable and would enable us to exercise more control over efficiency, but we would still proceed on the basis of having no ministerial involvement in individual applications for legal aid, as it would be quite wrong to seem to politicise individual cases. Nevertheless, I hope that the dispute is resolved rapidly and I shall make inquiries as to whether the speeding up of a resolution can be facilitated.

Tom Brake (Carshalton and Wallington) (LD): Following the question of the Chairman of the Justice Committee, my right hon. Friend the Member for Berwick-upon-Tweed (Sir Alan Beith), and the Secretary of State's very positive response about the role of the National Association of Citizens Advice Bureaux, is the Secretary of State willing to meet me and representatives of NACAB to discuss how it can carry on its excellent work in the wider fields of welfare benefits, homelessness and debt relief?

Mr Clarke: I have been considering this issue with colleagues and I shall continue to do so because we are concerned, more widely, about the present financial crisis affecting all kinds of outside bodies such as voluntary organisations and charities in many fields. Not-for-profit bodies such as NACAB are very important in giving the kind of advice and help that we are concerned with, so we will continue to look for a solution to that problem. I certainly promise the hon. Gentleman a meeting with me or the Under-Secretary of State for Justice, my hon. Friend the Member for Huntingdon (Mr Djanogly), who has put a great deal of work into producing this package.

Mr Geoffrey Robinson (Coventry North West) (Lab): The Lord Chancellor will be aware that there is widespread understanding of his statement throughout the House, and his approach to this principled and rational discussion in no way undermines the continued, vital role for legal aid in our overall legal system. He must be aware of the correspondence that my office has had with his about certain law firms in Coventry that have carried out very good legal work on many good cases within the existing rules, but find it impossible to get paid for their work and are therefore opting out of the whole system of legal aid. Will he bear that issue in mind in the context of what he has said today?

Mr Clarke: I realise that we have had such problems. The LSC's accounting has been criticised and its performance has not always been what it might—hence the complaints of late payment. The commission seems to have been making great efforts to improve its performance, which we hope to maintain. Obviously, we hope that the transition to the new agency arrangements, as first proposed by the previous Government, will not interrupt that. We will continue to make sure that we do not face straightforward complaints about late payment for services that have been rendered.

Mr David Burrowes (Enfield, Southgate) (Con): First, I declare an interest as a legal aid lawyer. Given your earlier comments, Mr Speaker, I hope that that will have no bearing on the length of this question. Will my right hon. and learned Friend measure the success of his proposals in relation not just to the amount of public money saved but to greater access to justice, because there is not always a need for a contested hearing?

Mr Clarke: I hope to, but I hesitate to claim that we are providing greater access to justice given that we are taking quite a few things out of the scope of legal aid assistance. However, I share my hon. Friend's hope that we will encourage better resolution of disputes, of which there are plenty of examples. The president of the family division, Sir Nicholas Wall, has talked about how, in many family cases, long, adversarial conflict proves not to be the best way of resolving differences between parents and certainly is not in the children's best interests. There are plenty of other areas in which I hope definite advantage in resolving disputes will come from our proposals.

Chris Leslie (Nottingham East) (Lab/Co-op): Will the Justice Secretary try to estimate the impact of the proposals on the very poorest in society, particularly in our city of Nottingham? I know of welfare advice centres and citizens advice bureaux that will be in serious jeopardy of closing because of the way that the rules he has announced are skewed towards hitting the very poorest in society when it comes to welfare advice and housing. Can he assure us that he is not abandoning the very poorest in society to a desert in which they are left with no advice and completely without representation?

Mr Clarke: I realise the need for such services and I know that citizens advice bureaux are a particularly valuable source of advice for his constituents and mine in our area of Nottingham. I should point out, however, that not every bureau provides legal advice or gets legal aid and that bureaux have been eligible for it only since 2000, and we have moved into a situation in which some have become rather dependent on it. I can only say that I shall consider the problem. Legal aid probably never was the best way of financing such organisations and my colleagues and I will have to discuss whether some necessary measure can be introduced to ensure that wider advice is available, particularly to the most vulnerable in society. We are all agreed that the taxpayer should be involved only when people cannot reasonably be expected to pay at least a modest sum to get some advice of their own.

Guy Opperman (Hexham) (Con): Given the restrictions that will apply in relation to education funding, can we be clear that there will be no legal aid funding, in whatever way, for special educational needs provision or other forms of education work?

Mr Clarke: Not normally, unless in an exceptional case we are under a legal obligation to provide legal aid. Education cases include all kinds of things, such as litigation regarding exclusion of particular pupils, and whether someone has been granted a place at the school of their children's preference and so on. All such disputes can be litigated. The special educational needs cases are the most difficult. I repeat what I said before: these are educational problems, and there should be a process of resolving them that does not involve going all the way through the courts. I heard that the Supreme Court was hearing a special educational needs case. Although I am sure it came to the right decision, I am not sure whether it was the best way to resolve the problems of how to educate a particular child with particular problems.

Simon Hughes (Bermondsey and Old Southwark) (LD): I acknowledge the rational and very thoughtful way in which the Secretary of State has approached this issue. As he seeks to deliver the aid, advice and mediation services as a network across the country, will he make sure that some sort of protection for the poor and vulnerable is in place so that they are not driven into the hands of exploitative private sector operators who will want to take their money for immigration advice and the like—advice that is often dud and costs far more than they can afford?

Mr Clarke: I agree with the thoughts that underlie the hon. Gentleman's intervention. Let me make it clear that legal support for mediation remains important in the family field, and we believe that it is a much better way of proceeding. I will certainly bear in mind what the hon. Gentleman said about immigration advice. We have all known for many years that some of that advice, usually given by non-lawyers, to those having difficulties with the immigrations authorities is not very good and that the prices charged are rather unscrupulous. People are being taken advantage of by those who are affecting to help.

David Mowat (Warrington South) (Con): Has consideration been given in this review to the further savings that may be achieved by addressing the structure of aspects of the legal profession? In particular, the criminal Bar enjoys a near monopoly in some courts, but still constrains new entrants into the profession in a way that keeps rates higher than they might otherwise be?

Mr Clarke: That question was asked more frequently many years ago. The exclusive rights of audience in the higher courts were lost some years ago. There are now quite a lot of solicitor advocates. I am not sure whether the shadow spokesman, the right hon. Member for Tooting (Sadiq Khan), was a solicitor advocate, but he could have been if he had wanted to be. The profession is not as closed as it used to be. Changes are about to take place on new business structures for legal practice of all kinds, which will produce a considerable transformation in some areas of legal practice. We are in a far more competitive situation than we used to be.

Gareth Johnson (Dartford) (Con): As a practising solicitor, I welcome this long-overdue full review of the legal aid system. Will my right hon. and learned Friend reassure the House that we will retain a key principle of the criminal justice system, which is that no one who faces the realistic prospect of imprisonment and who cannot themselves afford to pay will be refused legal assistance?

Mr Clarke: Yes is the best and most straightforward answer to that. My hon. Friend underlines an absolutely fundamental principle of justice in any civilised society, so the answer is an emphatic affirmative.

Points of Order

5.4 pm

Hilary Benn (Leeds Central) (Lab): On a point of order, Mr Speaker. At business questions last week, I asked the Leader of the House whether it was the Government's intention, when the House considers the Fixed-term Parliaments Bill tomorrow, to provide injury time if a statement were to be made. The Leader of the House replied that it was not the Government's intention to do so. I have written to you about this, Mr Speaker. I understand that there is a possibility of a statement tomorrow. I do not know whether you have been given any indication of that, but given that on the Parliamentary Voting System and Constituencies Bill, there were clauses that we did not have the chance to reach, even with injury time, and given that the Fixed-term Parliaments Bill is an important constitutional Bill, it is important that the House has proper time, if there is to be a statement. Have you had an indication from the Leader of the House that he has had a rethink and wants to come back to the House and give a different answer?

Mr Speaker: I am grateful to the shadow Leader of the House for his point of order, and for giving me advance notice of it. Moreover, I have of course received the letter from the right hon. Gentleman of Friday 12 November. First, I have not received any indication, formal or informal, of a statement tomorrow. Sometimes by this point I would have done, but by no means always, so there may be a statement tomorrow or there may not be. I do not know.

Secondly, I think the right hon. Gentleman would testify and the record shows that where matters are within the gift of the Chair, the instinct of the Chair is always to facilitate full and thorough debate and analysis of all matters of policy and legislation. Sadly, in relation to a matter of this kind, the decision—no matter how worthy the cause—is not in the hands of the Chair. It is a matter for the business managers. However, my eye has alighted upon the Deputy Leader of the House. The Leader of the House is not present and therefore cannot respond. The Deputy Leader of the House is present and can, if he so wishes, offer a response to the right hon. Member for Leeds Central (Hilary Benn). A simple nod or shake of the head will suffice.

The Parliamentary Secretary, Office of the Leader of the House of Commons (Mr David Heath) *rose—*

Mr Speaker: Ah, we have enlightenment.

Mr Heath: It is not the Government's intention to provide extra time tomorrow on the Fixed-term Parliaments Bill. It is the first day of Committee and there is at present no programme motion before the House for the conduct of business during that day, so I am confident that there will be plenty of time for the House to debate the important matters that will be put before it tomorrow.

Mr Speaker: The response of the Deputy Leader of the House has been noted and I am grateful to him for it.

Mr William Cash (Stone) (Con): On a point of order, Mr Speaker. I understand that a few minutes ago, in the House of Lords, the motion to refer the Parliamentary Voting System and Constituencies Bill to a Select Committee with regard to the possibility of hybridity was rejected in a vote, but I would be grateful if we could be informed whether, in this House, such a motion would be out of order on the grounds that the Bill did not affect a particular private interest. I would be grateful if we could have a note on that.

Mr Speaker: The short answer to the hon. Gentleman is that that is not a matter for today. More fully, I think I know him well enough to know that he is unlikely to rest content with what I suppose he would judge to be a holding response. I have just a smidgen of a suspicion that it is a matter to which he will return on other occasions, and if he does, so will I. I hope that is helpful.

Tom Brake (Carshalton and Wallington) (LD): On a point of order, Mr Speaker. I apologise for not giving you advance notice of this. At the end of last week, some visitors came to visit me in Portcullis House and as part of the security process, their papers—the documents that they had brought with them—were scrutinised. To your knowledge, is this standard practice? Is it something that you would expect to happen when visitors come to the House of Commons?

Mr Speaker: I do not wish to be unkind or unhelpful to the hon. Gentleman, but the stock answer to such questions or attempted points of order is that we do not discuss security matters on the Floor of the House. However, if he wishes to pursue the matter with me in other ways, of course I am open to hearing from him and I will do my best to provide satisfaction.

Guy Opperman (Hexham) (Con): On a point of order, Mr Speaker. I probably should have declared earlier that I used to work in an educational capacity as a lawyer. I have given up that profession, but I am grateful for the opportunity to correct the record.

Mr Speaker: That is a display of legendary courtesy on the part of the hon. Gentleman, and it would be an excellent thing if it were imitated in all parts of the House.

Terrorist Asset-Freezing etc. Bill [*Lords*]

[Relevant documents: The Northern Ireland Assembly Legislative Consent Resolution and the Fourth Report of the Joint Committee on Human Rights, Legislative Scrutiny: Terrorist Asset-Freezing etc. Bill (Second Report); and other Bills, HC 598.]

5.9 pm

The Financial Secretary to the Treasury (Mr Mark Hoban): I beg to move, That the Bill be now read a Second time.

The Bill makes provision for imposing financial restrictions on, and in relation to, certain persons believed or suspected to be, or to have been, involved in terrorist activities. It amends schedule 7 to the Counter-Terrorism Act 2008, and is for connected purposes.

Hon. Members will be aware that the threat to the UK from terrorist attack continues to be judged as severe, meaning that an attack is highly likely. Just a few weeks ago, intelligence agencies uncovered another plot designed to cause death and destruction to innocent people. As my right hon. Friend the Home Secretary revealed, those involved in that air cargo bomb plot were well connected and part of an international network of extremists.

It would seem that the terrorist threat that we face is developing. We see the continued emergence of a more diverse and devolved terrorist threat that is joined more by ideology than by hierarchy, and that is technologically very capable. Small networks, or even individuals acting alone, are able to use technology to their advantage, giving them the ability to wreak havoc worse than their size might suggest. It is clear that those who wish to do us harm operate on an increasingly global scale and are devising ever more sophisticated methods of avoiding detection. This is why we must continue to ensure that the tools we employ to combat terrorism remain effective. We must have the ability to take preventive action to disrupt suspected terrorists.

Keith Vaz (Leicester East) (Lab): I understand that 205 accounts have been frozen under the previous legislation. Does the Minister know whether there is any evidence of a link between any of those accounts and actual terrorist activity? I am not disputing in any way what the Government are doing, and I fully support the Bill, but I would like to know whether any connection has been made between those accounts and any kind of terrorist activity.

Mr Hoban: In regard to the Bill, and to the legislation that it will replace, assets are frozen where there is reasonable suspicion. The Bill will change that test in order to strengthen it.

Asset freezing is a tool that we can use to take preventive action to disrupt suspected terrorists, and it is used internationally to prevent and disrupt the financing of terrorism. The impact of our ability to freeze the funds of potential perpetrators should not be underestimated. By cutting off access to finance and preventing money from reaching terrorist networks, we can stop individual acts in their early stages.

Currently, around £140,000 is frozen in the UK under our domestic terrorist asset-freezing regime. That might not seem a large amount, but hon. Members will be aware that it takes only a relatively modest amount of money to carry out a deadly attack. By way of illustration, the dreadful attacks of 7 July 2005 cost less than £10,000 to carry out, and the air cargo bomb plot is also likely to have cost a comparatively small amount.

Keith Vaz: No one is disputing the importance of this legislation or the legislation that it replaces, or the decision of the Supreme Court that has meant that this measure has had to be rushed through in this way. The Minister has not really answered my question, however; he has just given me some information about reasonable suspicion. Was there any connection between any of the accounts that have been frozen, for whatever reason, and any terrorist activity?

Mr Hoban: May I just dispute the right hon. Gentleman's point about the Bill being rushed through? It has not been rushed through. The process, of which he might be aware, is that, following the Supreme Court judgment earlier this year, emergency legislation was taken through this House and the other place to ensure that the terrorist asset-freezing regime remained in place until the end of this year. At that point, the previous Government initiated a consultation on the way in which that legislation should be replaced. That consultation started earlier this year, and has continued. My noble Friend Lord Sassoon introduced this Bill in the other place, and further safeguards have been included in it as a consequence of the consultation process. I do not believe that anyone could say that the process has been rushed. It has taken place in the methodical and thorough manner required to balance civil liberties concerns with the importance of national security. Although I am not in a position to disclose the links between the accounts frozen and any activity, those accounts and the evidence are kept under review, and orders are lifted where it is felt appropriate.

Asset freezing is not just a domestic tool used by the UK to combat terrorist financing. We have an international obligation to freeze the assets of terrorists, and it is important to consider it in some detail. In 2001, after the 9/11 attacks, the UN Security Council unanimously passed resolution 1373, requiring states to take a range of measures to combat international terrorism and the financial flows that underpin it. The overarching objective of the resolution was to

"combat by all means...threats to international peace and security caused by terrorist acts".

It was clearly intended to be preventive, and it calls on states to

"work together urgently to prevent and suppress terrorist acts, including through increased cooperation and full implementation of the relevant international conventions relating to terrorism".

Those are broad provisions, and intentionally so. They reflect the Security Council's real and unanimous commitment to take all necessary measures to prevent terrorism.

Although resolution 1373 is quite detailed in its obligations, the Financial Action Task Force, the international standard-setting body for anti-money laundering and counter-terrorist finance, has helpfully provided further detailed guidance on the implementation of UN terrorist asset-freezing obligations. That guidance reflects the intention for the resolution to be preventive in its effect, which is an important consideration when we come to consider in more detail the appropriate legal test for freezing assets.

[Mr Hoban]

Particularly for the benefit of hon. Members who did not participate in our debates earlier this year, I should like to explain a little of the history behind the Bill and why we need to act now. Following the adoption of resolution 1373, the previous Government took the decision to implement UN terrorist asset-freezing obligations through secondary legislation, by Orders in Council made under the United Nations Act 1946. Following litigation brought by several applicants affected by one of those orders, which went all the way to the Supreme Court, that court ruled earlier this year that the previous Government had gone beyond the general powers conferred by section 1 of that Act in making Orders in Council to give effect to our UN terrorist asset-freezing obligations. The orders were not subject to parliamentary scrutiny, so Parliament did not have the opportunity to consider how the UK should best give effect to its obligations. The Supreme Court quashed the relevant order with immediate effect.

Many Members will remember that in response to the judgment, the previous Administration rushed through emergency legislation, with cross-party support, to maintain the asset-freezing regime and ensure that terrorist assets would not have to be unfrozen. No one in the House wanted to see the unfreezing of terrorist assets, and that was why my party and others were prepared to support the emergency legislation. At the same time, there was a strong feeling in the House that the terrorist asset-freezing regime needed to be scrutinised by Parliament in more detail at the earliest opportunity, and that there was scope to improve it by strengthening civil liberties safeguards. For that reason, Parliament inserted a sunset clause providing for the temporary legislation to expire on 31 December this year. That is why we are now legislating to ensure that the UK's terrorist asset-freezing regime can be improved and put on a secure legislative footing in time for that deadline.

As the House will know, this Government are committed to striking the right balance between protecting public safety and protecting civil liberties. We believe that in a number of areas, it is possible to strike a better balance and strengthen civil liberties safeguards without undermining public safety. Terrorist asset freezing is one such area, and that is why the Bill is not intended simply to reintroduce the previous regime that the Supreme Court quashed. I shall explain that.

The Bill, as introduced in the other place, included several changes to strengthen the proportionality, fairness and transparency of the regime. Briefly, they included a narrowing of the prohibitions relating to third parties, so that a third party does not commit an offence if they did not know, or reasonably suspect, that they were breaching a prohibition; excluding payments of state benefits to spouses or partners of designated persons from the scope of prohibitions, even when those benefits are paid in respect of a designated person; and a new requirement that the operation of the regime be independently reviewed nine months after the Bill is passed and every 12 months thereafter.

To strengthen further the protection afforded to designated persons, the Government tabled significant safeguards before the Committee stage in the other place. Those additional safeguards reflect the civil liberties concerns that were raised in Parliament during the passage of the emergency legislation and in the public consultation conducted over the spring and summer.

First, we addressed the legal threshold that must be met before the Treasury can freeze a person's assets. Under the current Order in Council, the Treasury may freeze a person's assets on the basis that it reasonably suspects that they are involved in terrorism, provided that the Treasury considers that necessary to protect members of the public. Under the Bill, the Treasury can no longer rely on a threshold of reasonable suspicion if it wishes to make a designation lasting more than 30 days.

The Government consider that there is a good case for retaining a reasonable suspicion threshold for a temporary period of 30 days only. That will enable assets to be frozen when there is sufficient evidence to meet a suspicion threshold, but when, for example, investigations are ongoing, and there is therefore a reasonable prospect of subsequently meeting a higher evidential threshold. A good example of that is when assets are frozen alongside arrest while the police build the evidential case for bringing criminal charges, as happened with the freezing of assets in connection with the transatlantic plane bomb plot in 2006.

Dr Julian Huppert (Cambridge) (LD): The Minister mentioned tying freezing to arrest, which I agree with, but can he give examples of when we might ever want the power to freeze assets without arresting somebody?

Mr Hoban: We might freeze assets in the UK that belong to terrorists who operate overseas in a more benign environment, when it would be difficult for us to secure the arrest of individuals given where they operate. There is therefore a strong argument for those powers. The hon. Gentleman will be as acutely aware as I am that his predecessor as the hon. Member for Cambridge led for the Liberals on the emergency legislation and raised a number of the civil liberties concerns that we are addressing in the Bill.

The Government do not believe that assets should remain frozen on the basis of a reasonable suspicion threshold for longer than 30 days. That is why the Bill makes it clear that to make a final designation—meaning one that lasts for up to 12 months—the Government can act only if we have a reasonable belief that a person is or has been involved in terrorism.

Dr Huppert: As I am sure the Minister understands, I am now trying to represent David Howarth—he is my constituent. What is the test of reasonable belief compared with, for example, the civil standard of the balance of probabilities? Is reasonable belief essentially the same, or is the Minister arguing for a lower standard?

Mr Hoban: The reasonable belief test is less than the balance of probabilities test, as I am sure the hon. Gentleman's constituent is aware, but the Government believe that the measure strikes the right balance. The Bill is preventive, which explains why we have chosen a reasonable belief test rather than a balance of probabilities test

The second major civil liberties safeguard that we have introduced involves strengthening judicial oversight of decisions to impose asset freezes. Under the current legislation, a court can review a decision to impose an

asset freeze only under the judicial review procedure. The House of Lords Constitution Committee recognised that judicial review gives the courts a significant power of scrutiny, particularly when decisions have been made in a national security context. However, there were concerns that although the courts can use, and have used, judicial review as an effective power of scrutiny in control order cases, there is a lack of clarity about how the courts would operate judicial review in the context of asset freezing.

To address that and to provide clarity—we expect the courts to apply rigorous scrutiny to asset-freezing designation decisions—the Government have provided in the Bill that decisions to freeze assets will be subject to a full merits-based appeal procedure. By providing a full merits-based appeal, we can ensure that the same degree of scrutiny that is given, for example, in control order proceedings—effectively such proceedings are equivalent to a full merits-based review—is afforded to individuals subject to a designation. I wish to inform the House that I have put a schedule of the changes I have highlighted in this Bill in the Commons Vote Office, and I hope that will help hon. Members during today's debate and in Committee.

I wish now to deal with the content of the Bill, beginning with the provisions under part 1. The effect of a designation under this legislation is threefold: to forbid dealing with a designated person's funds and economic resources; to forbid making funds or economic resources available to such persons; and to forbid funds or economic resources being made available to a person when the designated person will consequently obtain a significant financial benefit.

Part 1 sets out the provisions allowing the Treasury to make a final designation, necessary to protect the public, where it reasonably believes that a person is or has been involved in

"the commission, preparation or instigation of acts of terrorism"

or

"conduct that facilitates the commission, preparation or instigation of acts of terrorism".

It also sets out the provisions where the Treasury may make an interim designation, necessary to protect the public, where it reasonably suspects that a person is or has been involved in the commission, preparation, or instigation of acts of terrorism, or conduct that facilitates such acts. An interim designation expires at the end of 30 days, unless a final designation is made. Part 1 provides that the prohibitions are contravened only when someone knows, or has reason to suspect, that the person whose funds or economic resources they are dealing with, or to whom they are providing funds, economic resources or financial services, is a designated person.

The Bill also provides for licences, which permit exemptions to the freeze. I should like to point out that the Treasury's policy is to issue an individual licence to designated persons straight away to enable them to carry on paying for their ordinary, everyday expenses. That minimises the immediate impact of an asset freeze on a designated person and their family. Any further licences, or amendments, can be applied for by the designated person, or by any person affected by the prohibitions, at any time. The Treasury has also issued a number of general licences, which allow certain transactions to occur without the need for a separate licence application to be made—for example, to ensure that a designated person can have access to legal aid without delay.

Part 1 also sets out the reporting obligations on the financial sector in relation to these provisions, and the Treasury's general information-gathering powers to monitor compliance with, and detect evasion of, the regime.

Dr Huppert: Perhaps the Minister could help me. Nothing in the Bill makes it clear that the Treasury is required to make reasonable licences available. Is there an expectation of what the Treasury would allow?

Mr Hoban: Yes. As I have said, we have issued a number of licences, which I understand run alongside the regime that is in place. That is why I do not think the hon. Gentleman will find reference to a general licence on legal aid in the Bill. This runs in parallel to the legislative framework in place.

Tom Brake (Carshalton and Wallington) (LD): The Minister will be aware that Lord Wallace of Tankerness said that

"the general presumption is that where a licence is requested to pay for legal costs, it will be granted."—[*Official Report, House of Lords*, 6 October 2010; Vol. 721, c. 174.]

Does the Minister think there any circumstances in which a licence would not be granted to cover legal costs?

Mr Hoban: I do not want to get into giving hypothetical answers to hypothetical questions. If the hon. Gentleman has a particular concern and wishes to write to me about it, I shall be happy to respond appropriately.

Finally, part 1 sets out the obligations on the Treasury to appoint an independent reviewer and the penalties attached to breaches of the asset-freezing provisions. Part 2 makes minor amendments to the Treasury's financial restrictions powers under schedule 7 to the Counter-Terrorism Act 2008. Those powers are an important part of the Government's toolkit to deal with risks posed to the UK by money laundering, terrorist financing and the development or production of chemical, biological, radiological or nuclear weapons. They also enable the Government to take action where the Financial Action Task Force advises that counter-measures should be taken because a country poses a money-laundering or terrorist-financing risk. The risks that those powers address are of a serious nature and it is imperative that we have effective financial tools to tackle them. We have identified a small number of technical amendments to these powers.

First, we are introducing a prohibition on the intentional circumvention of any restriction issued under the powers in order to ensure that a restriction cannot simply be bypassed. That will prohibit anyone in the UK financial services sector who has to comply with the requirements of a restriction from intentionally rearranging their business to circumvent those requirements.

Secondly, we are introducing a provision to allow restrictions to be targeted against subsidiaries of companies based in the country of concern. Thirdly, we will clarify the point that, when the Government direct a UK financial or credit institution to implement a restriction, that restriction can apply across its branches, wherever located. Fourthly, we are making provision for the

[Mr Hoban]

transfer from the Department of Enterprise, Trade and Investment in Northern Ireland to the Financial Services Authority the responsibility for ensuring the compliance of Northern Ireland credit unions with the requirements of a restriction.

This Bill, when passed, will create a secure legislative footing for an important and necessary counter-terrorism power. The Government recognise that such powers are not to be created lightly, and I am confident that the safeguards in the Bill strike the right balance between national security and the rights of the individual. This is the right course of action to protect our national security, to protect the freedom of our citizens and to prevent future attacks, and I commend this Bill to the House.

5.30 pm

Mr David Hanson (Delyn) (Lab): For the avoidance of any doubt, I should say that the Opposition support the aims and objectives of the Bill, are grateful for the Minister's explanation and will not oppose the Bill this evening. Indeed, as the hon. Gentleman said, the Bill had a considerable genesis in the work of previous Governments on these matters. Its purpose is to continue the asset-freezing regime that the previous Labour Government put in place, and to put it on a more secure legislative platform. It is an aim that we support, and one that, but for the election, we would have progressed ourselves.

At the heart of the Bill is the ambition to maintain a strong, effective and proportionate system in order to tackle the continued threat of terrorism, which the Minister mentioned. The legislation has been sent to us from another place, where it has been carefully scrutinised, and some amendments have been made to ensure that the actions remain proportionate to the threat that we face.

As the Minister said, the Bill had its genesis not only in our international obligations, but in our own assessment of how we tackle the international terrorist threat. There have been a series of United Nations Security Council resolutions, demanding that states take action, including by asset freezing. In response to 9/11, the Security Council passed a further set of resolutions, requiring states to take greater steps to freeze the assets of those involved in terrorism. The Minister mentioned resolution 1267, which, in 1999, provided for the freezing of funds and other financial resources derived or generated from property owned or controlled by the Taliban; and resolution 1333 took that further by stating that states should freeze the funds of Osama bin Laden. In the aftermath of September 2001, the Security Council broadened its approach, requiring that action be taken against everyone who had committed or attempted to commit terrorist acts or facilitated their commission.

As the Minister said, the United Kingdom gave effect to those and other resolutions through Orders in Council under the United Nations Act 1946, and he also mentioned the decision on the challenge to those orders in the case of Ahmed and others *v.* HM Treasury. Indeed, it was the first ever hearing of the Supreme Court, which is just over the road. The Minister will know and the House should know that, on behalf of the Labour Government, the former Minister and Member for Portsmouth North, my then hon. Friend, Sarah McCarthy-Fry, brought forward fast-track primary legislation to restore the UK's asset-freezing regime. We intended to go on and produce a piece of permanent legislation, of which the Bill before the House is a part, after consultation.

We know that, because the existing terrorist asset-freezing legislation that the then Labour Government introduced is only temporary, new legislation is required, and we welcome this attempt to put the measures on a more secure and durable footing today. That is not to say that we will not fulfil our constructive role as an Opposition and scrutinise the measures in Committee and on the Floor of the House. I hope that the Minister would expect nothing less. I am sure that he would have done the same—*[Interruption.]* He says that he is used to it. The Minister and I have had a number of constructive run-ins over the past few weeks on Bills, and we have a few more to come. On this Bill, I can assure him that there will not be the conflict that we have had in previous discussions, but I am sure that he would want us to test it in Committee.

Indeed, the Committee stage will give the Minister the opportunity to comment on this week's report from the Joint Committee on Human Rights, which is on the Table of the House. The Joint Committee has looked at the Bill in detail and raised a number of issues, including the need for a higher standard of proof, the need for transparency on the use of closed material and the proposal that the reviewer should be appointed by Parliament rather than by Government.

I say to the Minister that those suggestions do not necessarily have the support of the Opposition; indeed, we may not have supported them in government. However, it is important that they are considered and that the Minister responds to them, so that there is clarity about the Government position and the Opposition position on this issue, and so that we do not just ignore the concerns that have been expressed but at least respond to them in due course.

Dr Hywel Francis (Aberavon) (Lab) *rose—*

Mr Hanson: I am pleased to see that the Chairman of the Joint Committee is in the Chamber and I will certainly give way to him.

Dr Francis: I thank my right hon. Friend for giving way and for his warm words of support for our report. Can he elaborate on why he would not necessarily support our proposed amendments?

Mr Hanson: My hon. Friend has raised a number of issues in the report, and those need to be examined. However, regarding the three points that I have mentioned—including a higher standard of proof—it is my view that the key issue for the Government and the Opposition is to ensure that we take action to stem the flow of funds to terrorists. That means that there are potentially some issues whereby that lower standard of proof would achieve that objective and is still open, as the Minister himself said, to challenge and review. On closed material, very often information crosses Ministers' desks—I was the Minister with responsibility for policing and terrorism in the previous Government—that they

are aware of and act upon, but the disclosure of which could potentially compromise the security of the United Kingdom.

There is a debate to be had—I thank my hon. Friend the Member for Aberavon (Dr Francis) for raising this point—about who the reviewer of this legislation is accountable to. In the Joint Committee's report, he suggests that the reviewer should be accountable to Parliament rather than Government. We currently have a reviewer of terrorist legislation that is independent of Government but accountable to the Home Office.

We need to have some clarity on those issues, and I think that they are worthy of debate. I am not closing the book on any of them, but I do not wish to come to final conclusions today based on the Joint Committee report, which was produced only over the weekend.

Dr Huppert: On the subject of the standard of proof, is the right hon. Gentleman saying that it is the Opposition's policy that we should be applying measures to people where we think it is more likely that they were not involved with any terrorist activity than that they were? That is the implication of what he is saying.

Mr Hanson: The official Opposition's view is the same as that underlying the Bill that is before the House. We have always held the view that there is a need to take action, as set out in the clauses in the Bill that indicate that, when there is information, the Minister can bring forward an order and designate the individual according to a standard of proof that may not be a conviction standard of proof but responds to a level of concern that leads the Minister to want to take action. We support that.

As I said to my hon. Friend the Member for Aberavon, we will look at the suggestions that were raised on Friday in the final draft of the Joint Committee's report. However, there are proposals in the report that I suspect I would not have supported as a Minister and that I will therefore not necessarily support as an Opposition spokesman. Nevertheless, we will give them due consideration; indeed, I may even table amendments that reflect the Joint Committee's deliberations while ultimately allowing the Minister the opportunity to respond to them, so that there is a debate. I may not even necessarily force those amendments to a vote.

Keith Vaz: Although I obviously accept the thrust of what my right hon. Friend says, there seems to be something of a love-in going on between the two Front Benchers on this issue, and it always worries me when Front Benchers are in agreement over everything.

I am concerned about those who have had their assets frozen and who have now had their orders revoked; there are 13 people in that situation, according to the written ministerial statement. What do we say to them? They have had their bank accounts frozen and, in a sense, someone has believed that they have in some way been linked to terrorism; there is a reasonable suspicion of that. It will be pretty difficult for them now, will it not?

Mr Hanson: First, may I assure my right hon. Friend that there is no love-in between the Minister and myself? We have been jackets-off for the past week and a half in a Committee dealing with another Bill, and I suspect that we will be jackets-off next Monday dealing with the same Bill. However, where there is agreement on this issue, we will maintain that agreement, and I think that the Minister and I agree that the powers before us are proportionate. In the cases that my right hon. Friend mentioned, people will have an opportunity under the Bill to appeal, and there will be independent oversight. Those are important safeguards.

Ultimately, the most important liberty of all must be people's right to live in a society free from the fear of terrorist attack and from incidents such as those that we have seen not far from the House of Commons in our capital city of London in recent years. We need to ensure that we take action, but that it is proportionate in cracking down on those who look to perpetrate acts of terrorism.

Having said that, I did not intervene on the Minister and I would still welcome some clarification. It is particularly important to know how the role of the independent reviewer of asset freezing will be constituted, and such clarification might, indeed, help my right hon. Friend. I would like to hear from the Minister about certain issues at some point—I give him due notice that these are issues for Committee. How will the independent reviewer be appointed? Will he or she be the same person as reviews terrorism legislation? Currently, that is Lord Carlile, but the appointment of David Anderson QC, was recently announced. Will this be a completely different role or a parallel role? What will the budget for the office be and how will the office work?

We need to look separately at some of the considerable powers that the Bill gives the Treasury; for example, in clause 31, which deals with appointing the reviewer, and in clause 3, on the notification of final designation. Clause 3(3)(iii) gives the Treasury powers to do things that are

"in the interests of justice",

but that term can be defined quite widely. I will therefore be testing the Minister in Committee, not out of broad opposition to the proposals, but so that he can clarify these issues. Those who ultimately read the proposals that we make in Committee and on Second Reading will then understand the powers that we are giving the Treasury and, in particular, how the Treasury will disclose matters and use those powers. I give the Minister notice that although we are giving him a free ride today, we will still look in Committee at how powers such as those in clause 3 are intended to be used, what

"in the interests of justice"

means, what we define as being

"in the interests of national security"

and what

"for reasons connected with the prevention or detection of serious crime"

actually means. Although we support the Bill, we will continue to look at such issues.

The Minister gave us a powerful reminder of the types of terrorist attacks and actions that individuals and groups have undertaken, and will continue to undertake, as they attack not only our way of life, but innocent individuals across the United Kingdom and, indeed, abroad. The recent discovery of an explosive device on a courier aircraft that had landed at East Midlands airport en route from Cologne to Chicago powerfully brings home to us again the fact that that terrorist threat remains in the United Kingdom.

[Mr Hanson]

The Bill will impose severe financial restrictions on those whom Treasury officials "reasonably believe" have "been involved in terrorist activity".

I support that test, which will give us the opportunity to use asset freezing as a tool across the international community to prevent the financing of terrorism. We know how devastating and indiscriminate terrorist attacks on our shores and abroad can be.

It will be of interest to the House to know that the attack in London in 2005 cost less than £10,000 to carry out. As of July, as the Minister said, about £150,000 remained frozen in the UK under the regime. If freezing assets intended for terrorist purposes can prevent attacks and potentially save lives, and if blocking the flow of money and working alongside our international partners can disrupt international terrorist networks, we should, quite frankly, do those things. We should do them while cognisant of the human rights implications that my hon. Friend the Member for Aberavon and his Committee have raised, but do them we should.

Any measures that we take forward in the House must delicately weigh up national security and civil liberty implications. We will discuss that in Committee, but I will look at the debate in the other place and the changes made there. I recognise that those are important, but ultimately our purpose is to protect citizens in the country whom terrorists would attack.

Interestingly, in another place, Members raised concerns about how the Bill will fit into the wider counter-terrorism review, which raises further concerns that we will need to explore both this evening, including when the Minister responds, and in Committee. I confess again that I have concerns about the coalition's position on the counter-terrorism strategy generally. Having been a terrorism Minister in the last Government, I know that things such as section 44, control orders and CCTV usage are important and help to prevent terrorist attacks. That is a debate for another day, but I note the concerns that the Bill might be subsumed by some of the outcomes of the review. I would therefore like to know either in Committee, or even this evening, whether this is stand-alone legislation or whether it will be further amended in light of any review coming out of the counter-terrorism strategy as a whole. I do not wish to waste the time of the House or the Committee discussing issues only to find that the noble Lord Macdonald throws up concerns that have to be incorporated in another Bill dealing not just with this issue but with those to which we might return, such as section 44 and control orders.

The Commercial Secretary to the Treasury said in another place that

"where the review's conclusions are relevant to asset freezing, and should those conclusions alter the balance in favour of introducing additional safeguards, we will take them into account and bring forward any amendments that may be appropriate to the Bill."—[*Official Report, House of Lords*, 27 July 2010; Vol. 720, c. 1252-1253.]

Presumably that also means that if Lord Macdonald says that they are disproportionate, proposals might be introduced watering down the Bill's provisions. The Minister needs to reflect on that and indicate clearly in his winding-up speech whether the Bill is separate from, or part of, the review.

It would also be useful to know the time scale of the ongoing general review. Under tonight's programme order, we will complete the Committee stage of the Bill in short order—by 25 November—and will be returning on Report shortly after that. If Lord Macdonald's report has not been completed by then, will we go immediately to Royal Assent? I need some indication from the Minister of the time scales in order to know the product and concerns we are dealing with.

I want to raise another matter—I hope that I am being supportive—that Ministers need to reflect on. Again, it is something we will return to in Committee. There is a grey area between terrorist financing and some aspects of organised crime. I noticed that my hon. Friend the Member for—

David Simpson (Upper Bann) (DUP): Upper Bann.

Mr Hanson: I worked in Northern Ireland for two years, but my mind went completely blank then. My hon. Friend the Member for Upper Bann (David Simpson) will know that there is a great deal of linkage in Northern Ireland particularly between organised crime and terrorist financing. We need to be clear about the Bill's purpose in relation to that activity. There might be areas where financial activity under organised crime, while being an organised crime issue, ultimately goes towards financing terrorism. Particularly in the Northern Ireland context, it is worth while our examining that area and whether there will be any consideration downstream of reviewing and harmonising asset freezing in those areas as a whole. I think of the case of Mr and Mrs Chandler today, where allegedly money might have been passed to those who kidnapped them. I do not know whether that is true, but it relates to potentially criminal, terrorist or other activity where these powers could be used. Clarity there will be important in our Committee discussions, so that we are aware of those things in due course.

My only potential criticism of the Minister over this proposal is that it might lead to a state of limbo in the asset-freezing provisions after the counter-terrorism review. It would be helpful if the Minister clarified those issues when winding up today, and in Committee.

In general, as I have said, terrorism is a still a real threat in this country, and although people have a statutory and historic right to civil liberties and freedoms, they also have a right to go about their daily lives without fear of serious threat to their safety. The key test for the Government is to balance those liberties with the actions that we must take to ensure that we secure those liberties for the future.

The Opposition support the Government's attempts to maintain an effective, proportionate and fair terrorist asset-freezing regime that meets our United Nations obligations, protects national security by disrupting the flow of terrorists' finance, and safeguards human rights. We believe that the Bill is necessary to help to combat the terrorist threat in this country, and we look forward to scrutinising it. I have indicated to the Minister the sort of areas that will need discussion during its passage through the House, but in broad terms, we wish it well and we will support it this evening.

5.50 pm

Matthew Hancock (West Suffolk) (Con): I think that hon. Members on both sides of the House recognise the importance of the Bill, of implementing it and of a legislative structure for freezing terrorist assets. The

ministerial statement says that 205 people currently have assets frozen up to a value of £290,000. Most importantly, the measure is part of a global system of freezing assets, which is crucial in this interconnected world.

I do not believe that I need to declare an interest, but I have a history in this area because I worked in the Bank of England on the freezing of assets under the jurisdiction of EC and UN orders. It is surprising that we are talking about this in November 2010, because it has been clear for a while that we need substantive legislation on the statute book to provide a framework for the freezing of terrorist assets. I am glad to be speaking in this debate, but it is a shame that that has not already happened.

I am glad that the Bill has all-party support, but I was surprised by the comment that it is being rushed through. There has been widespread consultation and the Bill has been through the full process in the other place, which included a day of debate on the Floor of the House. It is now going through the full process in this place. The suggestion that it is being rushed through is odd. What is more, it was clear earlier this year, during the previous Session, that there would be a Bill to put asset freezing on a permanent basis. The shadow Minister said that if the Labour party had won the general election, it would have introduced such a Bill.

The system that is now in place is based on UN resolutions 1267 in 1998, 1333, which specifically targeted Osama bin Laden, and 1373, which went through very quickly after the 9/11 attacks. As those resolutions were being passed, it was clear that the structure of terrorist asset freezing was becoming more comprehensive, and more important to our national armoury against terrorism. That was supported by terrorism orders in 2001, 2006 and 2009, so the process has been ongoing for many years. In 2002, New Zealand put on its statute book permanent legislation covering a formal structure, which was based on modern statutes for dealing with terrorist financing. Australia has introduced similar legislation.

Over the past decade, we have had many opportunities in terrorism and crime Acts to put such legislation on the statute book. The Ahmed case was started in 2008 on the back of 2006 terrorism orders. It is surprising that anyone can say that the Bill is being rushed through. What is more, for the Opposition to say that it is too soon to put it on the statute book because we need first to know the conclusions of the Home Office's broader review does not take into account the importance of doing so by the end of December, when the temporary measures will lapse, and we will be back in the same position as when the Supreme Court struck down the previous legislation. It is at least timely, and perhaps too late to be standing here discussing the matter.

A broader question arises about the Supreme Court's action. It concluded that the United Nations Act 1946 did not intend to support actions on terrorist financing, such as were then carried out under UN and EC structures. We all recognise that it was appropriate for the Supreme Court to give the then Government the ability to put through temporary legislation to ensure that assets were not unfrozen. It is important to note that because of the widespread public policy need for such freezing the Supreme Court recognised the importance of continuing to freeze assets, even while the formal legislative structure was being put in place.

My final question concerns the standard of proof. I am particularly interested in the extent of cross-party support for changes to the standard of proof. I have previously argued that the balance between civil liberties and protection against terrorism in this country has swung too far in favour of autocracy and away from civil liberties. I am pleased to see the new threshold of over 30 days of reasonable belief, rather than reasonable suspicion. I am also pleased that an appeal process is being put in place. However, I was surprised to hear the shadow Minister say that that may not have the support of the Opposition and that they need clarification of the position. The Home Office's review will look into a much wider array of issues, including control orders, CCTV, border controls and indeed terrorist assets, and I hope that it will ensure that we can go forward and that the freezing of assets will continue to receive cross-party support.

Mr Hanson: For the sake of clarification, my right hon. Friend the Member for Morley and Outwood (Ed Balls) will look closely at those issues. As a Government, we obviously had in place the section 44 regime on control orders and CCTV, and we were introducing legislation. We will examine all those matters, but the balance between civil liberties and the protection of individuals, and securing action against terrorists must be right. That is the balance that I hope the review will seek.

Matthew Hancock: I am sure that the review will seek that balance. My question is whether the Opposition will have a position when the review comes out. I am glad that the Opposition believe that the measures are proportionate, and that at this stage there is cross-party agreement.

That brings me to my conclusion that far from being rushed through, the Bill is timely, and far from its being introduced too soon, given that a review is under way, it is important that it is enacted within the timetable, no matter the Macdonald review's timetable. No doubt it will suggest amendments to many pieces of legislation from the previous decade that have been too autocratic and have not sufficiently respected civil liberties, but we must ensure that any amendments are part of that much bigger picture, rather than criticising the timing of this important legislation, which I would argue is about 10 years too late.

5.59 pm

Keith Vaz (Leicester East) (Lab): It is a pleasure to follow the hon. Member for West Suffolk (Matthew Hancock), who is obviously knowledgeable about the internal workings of these issues. He is also right that we need to look at the big picture more than at the immediacy of some of the things we are doing. One problem in the past was that we did not think carefully enough about counter-terrorism legislation until some great event occurred. Then there was a great hoo-hah—quite rightly—and Members in all parts of the House became concerned and wanted to pass legislation. He is right that the Bill is not being introduced with that immediacy, which means that we have an opportunity to look carefully at what is being proposed.

I have always welcomed the unity of the Front Benches on terrorism issues, although in my 23 years in this House I have found that, with one or two exceptions,

[Keith Vaz]

whenever the word "terrorism" appears in any order or other legislation, there tends to be cross-party support. The exception was when the previous Government rather hastily marched some of us through the Division Lobby in support of 90 days' detention. On reflection, we realised that that was not the right thing to do.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): The right hon. Gentleman will recall the unanimity of view on the Dangerous Dogs Act, but it was not very good law.

Keith Vaz: I think that was 1874, which was before even I entered the House, but I understand what the hon. Gentleman is saying.

Mr Llwyd: No, I meant the Dangerous Dogs Act 19—

Mr Deputy Speaker (Mr Nigel Evans): Order. Shall I vacate my seat while you two have a chat? Please can we have no sedentary interventions?

Keith Vaz: I give way to the leader of the Welsh nationalists.

Mr Llwyd: I was referring to the latest Dangerous Dogs Act, which was passed in 1991. The right hon. Gentleman will recall that there was unanimity across the House on that legislation, but it was thoroughly bad law.

Keith Vaz: The point that the leader of the Welsh nationalists makes is absolutely right. Even though there is unanimity of purpose, it is important that we look carefully at the legislation and scrutinise it, for the reasons that all those who have spoken so far have set out. My right hon. Friend the Member for Delyn (Mr Hanson) is no longer in his place, and I am not sure where he has disappeared to. However, notwithstanding the support from the Opposition Front Bench, I am sure that when he gets to Committee and takes off his jacket—as the Minister will do too, in these dramatic confrontations that occur in the Committee corridor—they will be able to discuss the finer detail of the Bill.

We have not had a substantive debate about counter-terrorism on the Floor of the House of Commons since the new Government were formed. It is certainly the intention of the Select Committee on Home Affairs to look at counter-terrorism when Lord Macdonald has finished his review and when Charles Farr, who is conducting the review in the Home Office, completes his consideration of the Home Office issues. I see in the Chamber the hon. Member for Cambridge (Dr Huppert), in whose constituency I spent most of the morning. He and the House will know that those issues have to be discussed in great detail. We need to look at control orders, and see whether the legislation passed so far has been adequate to deal with, first, the terrorist threat and, secondly, the civil liberties implications, of which the hon. Member for West Suffolk rightly made mention. That is why what the leader of the Welsh nationalists said is so important. We hope that the Home Affairs Committee can look carefully at those issues, and therefore give a considered view to Parliament when Parliament chooses to discuss the matter.

The figures in the Minister's written statement, which was helpfully released this morning, I think, applied to the amount in accounts that have been frozen—£290,000—and to the number of people who have had orders revoked. I do not know whether it is just me, but I was surprised at the small figure, given that the City of London and this country in general must have trillions of pounds in bank accounts. Bearing in mind the fact that international terrorism is a global crime—taking into account the concern that we have about our tough legislation on people seeking to come into this country and depositing money here to be used to finance terrorism—I thought that the figure given was, frankly, a bit on the low side. When the Minister—or perhaps his junior Minister—winds up, perhaps he will say whether he agrees, because £290,000 does not sound like an enormous amount to be funding international terrorist activities.

Similarly, on the 205 accounts, it is not clear whether we are talking about 205 people with 205 different accounts, or a smaller number of people with 205 accounts between them. Although we do not want to know who they are—it would be inappropriate, as we know, to discuss individual cases on the Floor of the House—it would certainly help the House to have as much information as possible. Are we talking about fewer people with many accounts, or are we talking about 205 people?

The second issue to do with the figures concerns the number of people who have had their orders revoked. I have not had the pleasure of reading the Joint Committee on Human Rights' report into the issue, but I hope to do so as soon as possible. I do not know whether the report looked at the revocation of orders, but I am concerned about those who have had their assets seized, because somebody had reasonable suspicion that they were involved in, or were funding, some kind of terrorist activity, but who have had their cases reviewed and, as a result, had the orders revoked. What happens to those people? Do they get compensation if they had to pay their bills and continued to have living expenses, despite having their accounts suddenly frozen? Do we explain why their accounts were frozen? I am not sure, so I would be most grateful if the Minister told the House what procedure is adopted once an order has been revoked.

I welcome the fact that orders have been revoked: it shows that the system works. If no orders had been revoked, I would have been extremely worried, because people can have reasonable suspicions, but when they look at a particular case, they may come to another view. I welcome the new appeal process in the Bill—there should always be an appeal process in such circumstances—which will presumably mean that more people might challenge the system. It would be helpful to know what kind of information they would have during that process.

Those may seem to be points of detail, but they are terrifically important to anyone who is caught innocently in the system. Indeed, I would also be keen to know whether there had been any complaints by individuals about the way the system operates currently. If there have been legitimate complaints, do the Government propose to ensure that the legislation covers those complaints in some way or another? People might be pretty delighted that their accounts were suddenly frozen, but then suddenly released. However, I would imagine

that if any of us in the Chamber did not have access to our bank accounts, for whatever reason, we would be pretty upset. Therefore, it is important to know whether any complaints under the current system have been addressed.

My final point concerns the Macdonald-Farr review. I know that it is not a matter for this Minister, but he will no doubt talk to the lead Minister on counter-terrorism—that is, the Home Secretary—or other Ministers. It is important that we have a timetable for concluding the review that the Government have set up. I recently wrote to the Home Secretary asking for that timetable. It is important that we know precisely at which point the internal review being conducted by Charles Farr is drawn up and when the views of Lord Macdonald come into any consideration. Do they prevail over what has happened? Those are not issues for this Minister; they are issues for the Home Office. However, in the overarching discussions that are no doubt taking place in Government, they are issues to be considered by all.

The leader of Plaid Cymru reminded us—certainly me—that Parliament legislates in haste and repents at leisure. The hon. Member for West Suffolk said that the Bill was not being rushed through, which we welcome, but a timetable in which the legislation has to return to us in seven days is quite fast. I am not sure how many sittings the Minister intends for scrutiny. It is sometimes considered that those who speak on Second Reading wish to sit in Committee, so I would like to make it clear to any Whips who might be present that I have no desire to sit in the Public Bill Committee. If we are to scrutinise the legislation carefully, however, and if it is going to be with us for some time, we should take into account the concerns of the Plaid Cymru leader and ensure that we scrutinise this Bill very carefully indeed.

6.10 pm

Dr Julian Huppert (Cambridge) (LD): It is a great pleasure to follow the right hon. Member for Leicester East (Keith Vaz), who chairs the Home Affairs Committee, on which I also have the privilege to serve. He did indeed visit my constituency of Cambridge this morning and he will doubtless have understood something of the expertise of some of my residents and constituents. He did not on this occasion meet David Howarth—he will be known to most hon. Members as a great constituency MP and an expert on these issues—who worked hard on this legislation and I pay tribute to him for what he did.

The aim of the new revised Bill is clear, and I suspect that no Member would have any problem with it. We need to control terrorism and we need to control the flow of funds for terrorism. We support, of course, UN Security Council resolutions, particularly resolution 1373, although others are also relevant. We all share those aims, so the question is how best to go about achieving them.

Earlier this year, the order was held to be ultra vires in respect of the United Nations Act 1946. Lord Phillips used strong phraseology when he said:

> "The draconian nature of the regime imposed under these asset-freezing Orders can hardly be overstated."

I suggest to right hon. and hon. Members that what he meant was not that these were draconian because they were orders, but that they were draconian because of their content. So we need to be careful before reintroducing measures that are very similar to those orders.

There was a Terrorist Asset-Freezing (Temporary Provisions) Act 2010. I shall not enter into the argument over whether this particular Bill is being rushed through, but the temporary one clearly was in an effort to catch up with what happens when Government do not take account of legal processes. This Bill is better than the previous temporary one. I have no hesitation whatever in saying that. I am grateful that a number of amendments were accepted in the other place, which have significantly improved the Bill.

I nevertheless have a number of concerns about the Bill, and these are echoed by organisations that are familiar to us all: Liberty, Justice, the Equality and Human Rights Commission and the Joint Committee on Human Rights, on which I also have the pleasure to serve. I urge Members to look at our short and simple report, which makes a number of clear suggestions and proposes amendments, which I, if nobody else, will table. The key issue is that we must not treat those people whose assets we freeze as effectively "prisoners of the state", as Lord Hope of Craighead said. That is not the correct intention; we should be careful about that.

I do not wish to detain the House for long, but I shall speak briefly about the amendments that I wish to table. I hope that the Minister will be able to respond to many of the issues tonight, which will save time later on in the proceedings. Before I do so, I want to point out a few areas that I believe are missing from the Bill, which is a shame. I would not go so far as to mention the whole counter-terror review, but the Bill does not deal with the parallel asset-freezing powers in the Anti-terrorism, Crime and Security Act 2001 or the terrorist financing provisions of the Terrorism Act 2000—despite the fact that the Privy Council recommended in 2003 that these be rationalised. Surely it makes sense to bring legislation together and make it clearer.

I am also concerned that the Bill fails to deal with those designated by the European Union. Under this legislation, such people have no right to appeal or review a decision to put them on the list. I find that disappointing. I am sure that some hon. Members, particularly Conservative Members, would naturally be wary of any instruction from the EU. In this case, although not in many others, I agree with them. We should find a way to safeguard British citizens from this process and provide them with some form of appeal or review. I believe that amending provisions could be added to clauses 26 and 27.

There is a fundamental issue at the heart of the matter, which I do not believe has been properly discussed—at least not in this House. It comes down to who should decide whose assets should be frozen. Should it be the Government or the Treasury, as in the Bill; or should it be a court? Do we want punishments—that is what these provisions amount to—to be dealt with by Government or by the judiciary? The appeals process is, I acknowledge, a significant improvement on what obtained before.

Matthew Hancock: I am trying to follow the hon. Member's argument, but does not the concept of a judicial implementation of asset-freezing contradict the fact that this is a global system? Whether it is done

[Matthew Hancock]

through the EU or the UN, the designation is done at that global level and then executed in the UK. The decision is not made in the UK, so while the right of appeal is important, it is crucial that the Executive can freeze assets rapidly in response to a global proposition.

Dr Huppert: I am afraid that the hon. Gentleman is not correct about that. There are cases where the Treasury designates and it is that act of designation that counts. The provisions could be changed simply—I will propose the wording later—so that the Treasury requests the courts to designate; there would be nothing amiss in so doing.

The present situation is that there is a freeze and then there is an appeal. One problem with that cycle—not to mention the problem of where the power lies—is that the onus is on the affected person to find a way to make an appeal. They will have to get legal advice first and get clearance to secure the funds in order to pay for such advice. I hope that we will have absolute clarity from the Minister on whether they will always be able to get access to the funds necessary to clear their name. They will then have to apply and have their case heard. As I will explain in more detail later, they may not even know the case against them.

That highlights the real questions over who should make these judgments. I think it should be a court that determines the freeze and that it should be done ex parte. I absolutely accept that the courts should be able to go through the process without warning the accused in advance, because if they can simply move the money or assets somewhere else, it will not work, but the courts need to be involved and the people accused must be given a chance to make their case fairly.

I would also like to deal with the issue of standards of proof. I have put the issue to both Front-Bench teams and I have asked a number of colleagues—legal and otherwise—what the standard of proof should be before we take an action like freezing someone's assets. Should it be the criminal standard of proof or should it be the civil standard? I have been fascinated by the number of people who think that they are somewhat illiberal in believing that it should be a bit below the criminal level. I have heard that from a number of colleagues.

Should things be done separately? Should we require people to have been convicted, tried or just arrested before we apply the provisions? When I asked him earlier, the Minister referred to the problem of arresting non-UK people, and I accept his point, which was well made. I nevertheless seek an assurance that the people involved will at least have been through a process of arrest—for people in the UK, where that is appropriate—and that at least consideration will have been given to taking the person through the full legal processes of trial and conviction. Security Council resolution 1373, with which we are trying to comply, requires us to deal with those who

"commit or attempt to commit terrorist acts".

It does not say anything about those we "suspect" of committing such acts, so the Bill goes beyond what is required by the Security Council.

I understand the argument for having a slightly lower standard for the interim powers, although I would ask why it was decided to go for 30 days and whether "reasonably suspect" is the appropriate provision. I am very concerned, however, about the idea of "reasonable belief" for a final designation. That means treating people below the civil standard, which is essentially a 50:50. We are saying that it is just as likely to be one way as the other. That is the civil test. The Government are seeking to freeze people's assets in circumstances where they believe that it is more likely than not that those people were not involved in terrorist activities. I find that alarming. If we think people were probably not involved, we should not freeze their assets. In the Government's defence, I have to say that the Opposition seem to think that the degree of involvement in terrorist activities could be even less before these provisions are applied, which I find significantly worse.

These are draconian powers and we should be sure, to a reasonably high standard of proof—I could even accept a balance of probabilities—that the people are likely to have been involved with terrorist offences. I am also concerned about what is meant by a "terrorist offence". Many concerns have arisen over a number of years where actions have been described inappropriately as terrorist offences. I am sure that Members are aware of the figures relating to section 44 of the Terrorism Act 2009. According to the latest figure that I have seen, 101,248 people were stopped and searched and none was arrested for terrorism-related offences. Does that constitute involvement in terrorism? How do we define the term?

Keith Vaz: Does the hon. Gentleman share my concern about the amount of money that has been seized—about £290,000, although the figure varies according to the fluctuations of currencies? According to a note attached to the Minister's speech, the amount could actually be less than £290,000, as it depends on the value of the pound. That is approximately the cost of a one-bedroom flat in Westminster North.

Dr Huppert: I am not entirely sure how that is relevant to what I was saying, but I do indeed find it astonishing. I suspect that the public, if they thought about the matter, would imagine very large sums, although that might be a result of their having watched too many James Bond films. I certainly find it surprising that we are concerned with the net sum of roughly a quarter of a million pounds.

Matthew Hancock: I understand the figure of just under £290,000 to be the amount that is currently frozen, rather than the amount that has been frozen over time. Past figures have been much higher.

Dr Huppert: Indeed, but I still consider it to be a relatively small amount. It is certainly a smaller amount than I would have expected if I had not seen any of the data.

Let me return to the question of what constitutes a terrorist offence. We know of specific instances of arrests using anti-terrorism powers that have been deeply inappropriate. I am sure that Members will recall the case of Walter Wolfgang, who was ejected from a Labour party conference and arrested—under anti-terror legislation—when he tried to return. I do not think that we should pass Bills allowing us to deal in such a way

with people like that—or indeed Iceland, which was also subject to anti-terror rules, or the BBC photographer Jeff Overs, who was stopped while taking photographs of St Paul's Cathedral in November 2009 and arrested under the same rules. Surely that is not what the Bill ought to be about.

I should welcome a stricter definition of terror offences from the Minister. As ever, we are seeing an expansion of the present definition. Another recent example, which is highly topical at present, is that of a gentleman called Paul Chambers, who was recently convicted of sending a menacing tweet that threatened a terrorist activity. It read:

"Crap! Robin Hood airport is closed. You've got a week and a bit to get your shit together otherwise I'm blowing the airport sky high!"

I should add at this point, for reasons of which some Members may be aware, that I am Spartacus.

The tweet led to a conviction under section 127 of the Communications Act 2003 for

"Improper use of public electronic communications network".

Surely that is not appropriate. The tweet did not actually threaten terrorist activity. It led to legal fees of £3,000 and the loss of the gentleman's job, which is utterly ridiculous. We need to be careful about allowing these powers to expand and take in more cases. I need hardly remind Members that Jean Charles de Menezes was also "reasonably believed" to have been involved in terrorist activity.

We must also be clear about the reasons for which someone's assets are being frozen. I fear that the Bill currently allows far too little information to be given to individuals to enable them to defend themselves. I would propose an amendment suggesting that as much information as possible must be given to the relevant person. We must bear in mind the possible public interest in non-disclosure, but, except when it simply is not possible, the balance should be in favour of openness, so that people can genuinely defend themselves.

Similarly, we should require a fair trial and a fair hearing. I would propose an amendment making it clear that the accused must have enough information to be able to instruct the defence. That is an essential part of a fair trial. The report from the Joint Committee on Human Rights contains a detailed case analysis, drawing a comparison with control orders. Many of us are concerned about the impact of excessive powers when victims have had no opportunity to defend themselves properly, and advocates in closed courts do not enable them to know what is going on.

The Government rely on a very thin distinction to avoid some of the legal hearings that have resulted from control orders. They argue that judges have commented that control orders do not apply to terrorist asset-freezing. I do not buy such arguments. I urge the Government to adjust the Bill now so that it works, rather than doing what the last Government did so often: waiting until an expensive court case arose, then being forced yet again to amend legislation in an ongoing cycle.

The role of Parliament is important. I am pleased that reports are to be made, but I believe that they should be made to Parliament rather than to Government. We have a responsibility to the people to verify that the powers are being used. The independent reviewer should be confirmed by Parliament, and should report to Parliament. It should not be up to the Treasury to vet reports before passing them to us; that should be our responsibility.

As I said to the Minister earlier, I am concerned about the licences that are dealt with in clause 17. It should be made absolutely clear that the Government will ensure that there are sufficient funds for reasonable living. As far as I can see, no such requirement currently exists. According to Lord Wallace of Tankerness, there is a "general presumption" that more is needed.

I am also concerned about the level of information that is required by clause 20. It may be very onerous to provide that level of information if the Treasury chooses to make it so. In the case of Ahmed, the Supreme Court noted the extraordinary burden that the requirement could place on a designated person. For example, the wife of one of the designated persons was

"required to report to the Treasury on every item of expenditure, however small, including expenditure by her children".

Is that really what we want, and what we expect from the Bill? Designated persons will have limited funds anyway. Do we actually want the Treasury to go through itemised lists of toiletries, sweets, school books and bus tickets? The Bill should make clear provision for no account to be taken of very small amounts.

Clause 22 raises the issue of self-incrimination. Article 6 of the European convention on human rights includes a privilege against it, but the Bill does not. According to the Government in the other place,

"the right against self-incrimination would form a reasonable excuse"—[*Official Report, House of Lords*, 6 October 2010; Vol. 721, c. 197.]

It would form a reasonable excuse, that is, to refuse to comply with a request for such information in clause 22. I think that that should be made clear in the Bill. The onus should not be on the accused to make the case after being prosecuted for providing the information.

Another fascinating part of the Bill which I hope can be changed is clause 25(1), which states:

"Nothing done under this Chapter is to be treated as a breach of any restriction imposed by statute or otherwise."

There are a couple of exceptions, but I find that very concerning. It appears that the Bill is exempt from all rules that might apply to it except the two that are listed in the clause. That might catch, for example, the Human Rights Act. I see nothing in the Bill suggesting that the Act applies to it. Indeed—although I am sure that it would be tested in court—it could be argued that the clause expressly states that the Bill is exempt from the Act's provisions. I hope that that is not what the Government intend. Similarly, what about common law torts? What about negligence? What about defamation? Nothing in the Bill secures any of those aspects of common law. I hope that the Government will replace section 25(1) with a provision that actually states what they probably intended. At present, it is dangerously unclear.

Asset-freezing is a very strong power, but a very necessary one. Because it is so strong and because it can be so draconian, it must be fair and properly controlled, and it must be applied only to those who are actually involved with terrorist activities.

6.28 pm

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): I believe that we need a system of asset freezing. It would be idiotic for anyone to argue that that is not necessary in this day and age, given the link between organised crime and terrorism. It occurs not just in Northern Ireland but, I am sure, throughout the United Kingdom. I take it as read that every Member in the Chamber believes in the principle of asset freezing. The next issue that arises is how we arrive at that position and ensure that it is compatible with people's civil rights. That is important. I am not a bleeding-heart leftie as such, but I do believe that we have basic human rights and that we need to observe them. Indeed, we are obliged to do so by international law, and by domestic law too now.

I referred in my discussion with the right hon. Member for Leicester East (Keith Vaz) to the apparent unanimity between the two Front-Bench teams, and I mentioned the Dangerous Dogs Act 1991. It was introduced following some terrible incidents involving Staffordshire bull terriers maiming people and, in one instance, killing a child. The rush to legislate was understandable, but the measures were not properly scrutinised and, to this day, the Act is unworkable.

Another such Act has passed through the House during my tenure and that of the right hon. Gentleman, namely the gun control legislation following the Dunblane massacre. Everybody was appalled by that massacre, but we rushed to legislate without adequately scrutinising the measures we were putting in place, and I am afraid that the resulting Act did nothing to control the use of illegal firearms. My point is that scrutiny is vital, and that unanimity of purpose between both the Front-Bench teams, and, indeed, all Members, does not matter, because at the end of the day every one of us has a duty to ensure that our constituents live in a safe environment and that we can deal with the terrorism that might threaten them.

There is clearly a terrorist threat; only a fool would deny that. Having said that however, let us examine the Bill. The Financial Secretary to the Treasury referred in his opening speech to United Nations Security Council resolution 1373. It includes a requirement that UN member states must prevent the financing of acts of terrorism, including by the freezing of funds and economic resources

"of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts",

and that they must prohibit

"their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources"

available to such persons. I submit that there is a world of difference between that requirement and what is being proposed in the Bill.

Initially, the Bill stated that its powers could be used if there was a suspicion that a person might be involved in some form of terrorism. That has now been strengthened somewhat: there must now be a reasonable belief that they are involved. That is quite different from what the UN is calling for, however, and in my view it does not strike the appropriate balance between protecting national security and preserving civil liberties. It is vital that we do that, and this is precisely why so many pieces of anti-terrorism legislation have been struck down by the courts. That has happened not because there is all-out war between the courts and Parliament, but quite simply because we have not been getting that essential balance right.

I believe that if we subject the Bill to proper scrutiny, we can work towards ensuring that we get the balance right. I do not want us to have to argue the same points again in a few months, after the Supreme Court has knocked some of the Bill's measures on the head a second or a third time because of a perceived lack of respect for human rights.

As the hon. Member for Cambridge (Dr Huppert) mentioned, this Bill gives powers to the Executive, not the judiciary, and those powers are potentially harsh and punitive. As has been said, it is a form of punishment for someone to have all their assets frozen—one might argue that it is almost as bad as dealing with the Independent Parliamentary Standards Authority, but perhaps we should not go there, folks. There is a right of appeal, which is welcome, but these measures deal with persons about whom it has not been established that they have ever been involved in terrorism, but when there is just a reasonable belief that they could be, or might at some stage have been, involved in some act of terrorism.

I have concerns about the Bill, therefore, and I know that Justice and Liberty also have grave concerns. Let me repeat that I want a proper framework set up. I am not arguing an empty case—I am not saying that I oppose just for the sake of opposing. I want the legislation to be workable and to be seen to be acceptable, and for it to be tested by the courts and to be found acceptable to them. If we ensure that that is the case, we will have done our duty as parliamentarians in that we will have introduced good law.

Allowing the Executive to designate individuals as suspected terrorists is unacceptable. As the deputy president of the Supreme Court has said, these people are

"effectively prisoners of the state."

Those are strong words from a Supreme Court judge, and I do not think he would have said them unless he felt strongly about the issue.

The Bill goes much further than is required by UN Security Council resolution 1373, a resolution that the UN's own special rapporteur on terrorism, counter-terrorism and human rights has said

"cannot be seen as a proper response to a specific threat to international peace and security".

I also believe the Bill fails to address the UK's asset-freezing obligations under UN Security Council resolution 1267, recently criticised by the General Court of the European Union as "particularly draconian".

Sajid Javid (Bromsgrove) (Con): The hon. Gentleman is making some fine points, but does he accept that global co-operation is required to combat global terrorism and the financing it utilises, and that that is the intent behind the UN's actions on this, following the terrible events of 11 September 2001? Does he also agree that for that reason global organisations, such as the committee the UN has set up, must issue orders internationally to all countries to freeze assets? The UK is absolutely key in implementing such orders given the role we play in international finance, and bringing courts into this would make any orders terribly difficult to implement.

Mr Llwyd: I do not disagree with that. We are a member of the UN, and we need to co-operate, and I do not disagree with the need for a framework. All that is understandable, but what I am saying is that we want a fair framework, and one that will stand the test of time and not be struck down because of some perceived illegality. That is all I am saying. I am probably ad idem with the hon. Gentleman on the whole issue. I appreciate that this is a global problem. That is why it is, quite rightly, being tackled by the UN, but my point is that we need to be careful about how we introduce any measures.

Lord Phillips, president of the Supreme Court, has said that the basic rights to which I am referring are a "vital part" of the fight against terrorism. He said:

"The so called 'war against terrorism' is not so much a military as an ideological battle. Respect for human rights is a key weapon in that ideological battle. Since the Second World War we in Britain have welcomed to the United Kingdom millions of immigrants from all corners of the globe...The Human Rights Act is not merely their safeguard. It is a vital part of the foundation of our fight against terrorism."

As I have said in respect of resolution 1373, we are going further than required, and by imposing the freezing of assets we could be in breach of article 1 of the first protocol to the European convention on human rights. We must also consider the right to respect for family and private life under article 8, and the right of access to a court under article 6. People who will be subject to these freezing orders will not necessarily know the case against them, which is a clear breach of article 6.

The deputy president of the Supreme Court, Lord Hope, described the effect of designation by the Treasury in the following terms:

"It is no exaggeration to say...that designated persons are effectively prisoners of the state...their freedom of movement is severely restricted without access to funds or other economic resources, and the effect on both them and their families can be devastating."

So there it is. The hon. Member for Cambridge described the powers as "draconian", and they are certainly strong and punitive by nature.

In the Ahmed case, the Supreme Court held that the United Nations Act 1946 did not give the Treasury the power to make such a broad order and the asset-freezing regime was immediately voided. Rather unusually, the Supreme Court refused to grant a stay of execution of its judgment. In the Ahmed case, Lord Brown noted:

"The draconian nature of the regime imposed under these asset-freezing orders can hardly be over-stated. Construe and apply them how one will—and to my mind they should have been construed and applied altogether more benevolently than they appear to have been—they are scarcely less restrictive of the day to day life of those designated (and in some cases their families) than are control orders. In certain respects, indeed, they could be thought even more paralysing."

I have made the point that there should be better safeguards. I appreciate that the appeals procedure and the change from reasonable suspicion to reasonable belief are steps forward, but the argument that the imposition of these coercive orders is best undertaken by Ministers rather than the courts seems to misunderstand the separation of powers and the role that the courts already undertake. In particular, it ignores several decades of practical experience in the courts, which have been making ex parte asset-freezing orders in a wide range of civil and criminal proceedings for the past 35 years or more and so are quite used to the procedures.

As regards national security, it seems highly implausible that the judges who sit in the specially constituted division of the High Court that hears financial restriction cases under part 6 of the Counter-Terrorism Act 2008 are somehow less capable than their colleagues in the commercial division of hearing an emergency application for a freezing order. Freezing orders are just one of many orders that the courts are much better placed than the Executive to make. I agree with a point that the hon. Member for Cambridge made in an intervention that if the measure were operated in conjunction with an arrest warrant, people might be a bit less concerned about what the Bill might mean in due course.

I hope that amendments might be proposed requiring that designation-making powers should be in the hands of the courts and not simply the Executive and requiring the designation regime be brought into the criminal justice system when designations are made against an individual, rather than a group. Applying those coercive powers on the basis of suspicion of or belief in people's involvement in terrorism will inevitably lead to people who have never been prosecuted having orders imposed on them. The right hon. Member for Leicester East has pointed out that those who have had orders lifted are still in a precarious and highly embarrassing position because they have at some stage been suspected of terrorism, which is hardly going to place them in good standing with anybody.

I should like there to be a requirement on the courts, when making a designation, to grant a licence to enable an individual and their family to have access to such funds as are reasonably necessary for their subsistence and travel and fees for legal representation if that need arises. That would ensure that a licence was made when the matter kicked off. I should also like the Bill to reflect and uphold the basic principles of a fair trial by ensuring that any person who is subject to the regime knows in full the case against him or her and is able to present a full defence. That would involve removing the powers for special rules of court that allow for secret evidence, hearings that the interested person is barred from and the use of special advocates.

The report of the Joint Committee on Human Rights has been mentioned. The Committee would like to table useful amendments on the standard of proof. Its report states:

"We recommend that the Bill be amended to require a summary of reasons to be given in the written notice of designation, subject only to legitimate public interest concerns about non-disclosure. A mandatory statement of reasons in the written notice of designation would help to ensure that the new right of appeal is an effective remedy."

The report also deals with the right to a fair hearing, recommending that

"the relevant provision of the Counter-Terrorism Act 2008 be amended so as to require rules of court to secure that the court's otherwise absolute duty of non-disclosure in asset-freeze proceedings...is expressly qualified by the duty to ensure sufficient disclosure to protect the right to a fair hearing."

There are one or two other useful suggestions, but this is Second Reading so I shall not go into great detail.

I should like to finish with two quotations. First,

"we will not defeat terrorism by reneging on this law"—

[Mr Llwyd]

the law being the Human rights Act 1998. The quote continues:

"Upholding human rights may sometimes be terribly inconvenient in the fight against terrorists, but it is the price of democracy. We must have confidence that our democratic values can prevail. The terrorists want us to distort and bend our democratic values as we take them on—if we do that we play into their hands."

Those were the words of Mr McNulty, an old sparring partner of mine, who was the Minister for Security, Counter-Terrorism, Crime and Policing from 2006 to 2008. He has come to the view that we have to reconsider the balance in deciding how to proceed.

Finally, I sincerely hope that the Bill will be drastically improved in Committee, because I do not want to see another example of what is becoming a regular occurrence—the Supreme Court having to do our duty for us. We are the legislators, so let us get it right. If we do not, we must heed the words of Edmund Burke:

"Bad laws are the worst sort of tyranny."

6.47 pm

Guy Opperman (Hexham) (Con): I remind the House of my former profession as a barrister, and I compliment the hon. Member for Dwyfor Meirionnydd (Mr Llwyd) on his outstanding contribution to the debate. I could agree, in broad terms, with much of what he said.

In the case of re M, Mr Justice Ognall stated:

"We live in an age when funds may be transferred from jurisdiction to jurisdiction as rapidly as it takes me to speak this sentence."

Those sentiments encapsulate the difficulties and predicament that we face today. How do we fulfil the UK's duty to be at the heart of the international fight against terrorism, while protecting the basic human rights and freedoms that Britain has always prided itself on advocating in both theory and practice? We know that the legislation derives from United Nations Security Council resolution 1373, a European directive and the decision in Ahmed *v.* HM Treasury. Experience shows that most individuals who are engaged in or intent upon serious offending can often live with the authorities taking away their guns or explosives, or with their liberty being taken away, but what hurts them is taking away their money, because that is what fuels so much of the offending and allows the criminal or terrorist to operate.

The Bill goes a long way towards fulfilling that duty: it enables the Treasury to freeze the assets of those suspected of involvement in terrorism, with such decisions being made at national level on the basis of advice from specific law enforcement, security and intelligence agencies. Of course that means that much will rely on the accuracy of the advice received, but I suspect that the vast majority of the British public will not find such a proposal fundamentally objectionable. It should be borne in mind that many of these decisions have to be taken rapidly in circumstances where the stakes are high and the potential consequences for both sides are catastrophic.

UN resolution 1373 specifically states that we should "freeze without delay". I suggest that the specific content of the resolution is such that there is a real desire to move at great speed. However, that must be seen in the context of our commensurate duty to be at the heart of the international effort against terrorism. Secondly, it must meet the expectations of the British public, by making the work of the terrorist organisation that much harder.

Although other anti-terrorism measures may be already on the statute book, they do not fulfil the obligation set out in resolution 1373. There will be—and this is accepted—an improvement. There are rights of appeal and judicial review that give safeguards to those caught by an order. It should give some confidence to the wider public that a specific individual has his rights properly preserved. It should also be noted that legislation such as this should never be judged by specific statistics. The right hon. Member for Leicester East (Keith Vaz) quoted specific statistics in his speech, but this type of legislation acts as a preventive measure that dissuades individuals involved in terrorism from using the UK banking system. Prevention is clearly better than cure.

The new Bill provides the power to freeze assets on a preventive basis on a reasonable suspicion of involvement in terrorist activity. Where that threat is involved, it is difficult to envisage how any other test could effectively be applied. The test is also subject to the safeguard that even if the Treasury considers there to be reasonable grounds for suspecting a person to have been involved in terrorist activity, that person's assets can be frozen only when it is considered necessary for public protection.

I want to deal with three final points in relation to the legislation. I will not go into the detail that others have in the past. First, how will designated persons fund their appeal? At present, they are in a position whereby their ability to fund their appeal is effectively non-existent. Such legislation has cropped up in other matters of asset freezing down the years.

Secondly, and most worryingly, the definition has gone from "reasonable suspicion" to "reasonable belief". That is, at best, a marginal change. Many a good lawyer would argue that there is almost no difference there. What is quite clear is that that is less than 50%. Something that is less than 50% always concerns any lawyer—it does not matter whether we are talking about a human rights lawyer or someone who is against the whole idea of terrorists in every particular way. When we talk about less than 50%, we have to ask what we are dealing with. Are we dealing with something that is 49%, 40%, 30%, 20% or 10%? That discrepancy is a concern, and I hope that it is addressed when it comes to the individual protestations of change that will be put before the House at a later stage in consideration of this Bill.

Finally, there must be a more wholehearted review of all these matters. We keep enacting piecemeal legislation after individual Acts have been passed over a period of time. It is not a good situation to have specific Acts dealt with on a specific short-term basis. My concerns are assuaged by what the Supreme Court said in the Ahmed case. It quashed the terrorism order on the grounds that the inclusion of "reasonable suspicion" as a threshold was not necessary or expedient. It noted that "reasonable suspicion" was not specifically referred to in UN Security Council resolution 1373, and it concluded that the general words of section 1 of the United Nations Act 1946 did not give anyone the authority to make an order that interfered with fundamental rights on the basis of a "reasonable suspicion" threshold. However, and I suggest that this is the key point in relation to why the Government are going ahead on this

basis, the Supreme Court did not condemn the terrorism order on wider grounds of incompatibility with human rights. Those members of the court who commented on the arguments in the Ahmed case suggested that the Terrorism (United Nations Measures) Order 2006 was disproportionate and dismissed such arguments. I hope that we will go forward with a greater sense of will so that when the Macdonald report and other such reports come before the House, we are in a position to consider everything together.

6.56 pm

David Simpson (Upper Bann) (DUP): The Bill is a sincere attempt to deal with important issues. As such, I give it a very general welcome, but I have a number of issues that I should like the Minister to respond to when he winds up. The shadow Minister, the right hon. Member for Delyn (Mr Hanson), made reference to Northern Ireland. As a former Minister in the Northern Ireland Office, he will be aware that in Northern Ireland we had the Assets Recovery Agency, which was amalgamated into the Serious Organised Crime Agency, so we are somewhat familiar with the freezing of terrorist or criminal assets.

As my hon. Friend the Member for Dwyfor Meirionnydd (Mr Llwyd) made reference to UN Security Council 1373 and some of its elements, I will not go into that now. Suffice it to say, the resolution makes it the duty of Government actively to prevent the financing of terrorist acts. Secondly, it makes it the duty of Government actively to prohibit, and not just prevent, their own nationals and those within their territories from making funds, financial services or economic resources available to such persons.

This Bill deals with important matters. All of us who live within the United Kingdom, live at a time when those elements of that resolution are very relevant in every corner of the country. Those of us who live in Northern Ireland are all too well aware of the fuel laundering, the cigarette smuggling, the illegal sex trade and a host of other money-making activities that have been used to finance, in the past, the Provisional IRA and other terrorist groups. We are also aware of the way in which such activities continue to be employed as a financial engine for dissident groups. It is important that every possible step is taken not only to close down such operations and prosecute those involved in them, but to clamp down on anyone who would facilitate or enable the accumulation of resources by such groups, the attempted concealing of such financial arrangements, and any attempt to put assets to deadly use in the pursuit of terrorist goals.

On a general level, I welcome the intentions of the Bill and I wish it well, although I have some concerns. On the detail of the provisions, the Bill applies to designated persons—that is, those who have been designated as being liable to fall within its constraints and to feel the full force of its provisions. There are two kinds of designations. I apologise if I am repeating some of the material that was mentioned earlier, but that is probably the luck of being the last speaker.

There is a final designation and an interim designation. The final designation lasts for one year and then expires unless it is renewed. An interim designation may last up to 30 days. One would suppose that an interim designation could well be enacted in order to allow for a temporary intervention while the details of a final designation were completed. Surely, then, there is a case for a provision to allow for the renewal of an interim designation.

In relation to designation, there is another question that deserves to be raised. Under the Bill, there are a number of circumstances in which a designation is not made public. I can well understand how there could be a need for some such exceptions, but chapter 2 on prohibitions states that a person has committed an offence if they deal with funds or economic resources

"owned, held or controlled by a designated person"

if they know or have reasonable cause to suspect that the person is dealing with such funds or economic resources. Under the terms of the stated possible exceptions, a decision has been taken not to publicise the designation then. Is there not a possibility that a person genuinely would not have been aware of it? Alternatively, a person could state that they were not aware of it.

The same would apply to all the offences listed in chapter 2. That is reinforced by chapter 3 and the reporting obligations of relevant institutions. In chapter 2 the obligation placed upon an individual relates exclusively to a designated person, but in chapter 3 the obligation is extended to include both a designated person and someone who is suspected of having committed an offence under any provision of chapter 2. Would there be merit in looking again at chapter 2 and bringing it into line with the obligations set out in chapter 3?

Also under chapter 3, there are civil liberty concerns that need to be considered. Provision is made to grant power to request information. The Bill bestows upon the Treasury the right to disclose this information and even provides the offences relating to the failure to comply with a Treasury request for such information. But what of circumstances in which such a request is made and it is later determined that there is no case to answer? What becomes of that information?

I should like to comment on the sentences laid down for offences set out in the Bill. Let us consider for a moment what kind of terrorist threat we are dealing with. There is the ongoing threat from dissident republican groups not only in Northern Ireland and in the Republic, but across the whole United Kingdom. In recent days these groups have attempted to kill police officers with grenades. In my own constituency they planted a bomb which very nearly killed young children. Again in my constituency, they succeeded in murdering Constable Stephen Carroll. In the constituency of my hon. Friend the Member for South Antrim (Dr McCrea) they murdered two soldiers in Massereene barracks. In recent days the Police Service of Northern Ireland raided a house that was being used by dissident republicans. Some weapons, I understand, were found and just over £100,000 in cash.

Then there is the kind of terrorist threat that resulted in the 7/7 London bombings and the desire to commit mass murder expressed by some Islamic militant groups. Those who assist them economically, those who provide the economic and financial muscle to allow them to obtain their arsenal of murder, are complicit in those murders. They aid and abet those murders. To set out a sentencing policy that lays down a maximum—not a minimum, but a maximum—sentence of seven years is wholly unsatisfactory. The tariff should be considerably higher.

[David Simpson]

On the subject of offences and sentencing, I draw attention to clause 36 and the subject of time limits. As we are dealing with people and groups who are determined to kill police officers, military personnel and ordinary men, women and children, why on earth would we allow their economic backers the opportunity to escape justice after a period of only three years following the offence? How is justice obtained for the victim and how is society made safer if those who finance terrorism are allowed to walk free once the calendar moves on to three years after the offence?

I said at the beginning that I regarded the Bill as a sincere attempt to deal with important issues and that I agree with the need for measures to be put in place. There is a need to stop the flow of resources to such groups in every possible way so, in general terms, I wish the Bill well and I hope that when the Minister concludes, he will address some of the concerns that I have raised.

7.7 pm

Kerry McCarthy (Bristol East) (Lab): As my right hon. Friend the Member for Delyn (Mr Hanson) said at the beginning of the debate on Second Reading, we support the Bill in principle and will not press it to a vote tonight. It is a measure that we would have introduced ourselves, had we still been in government, to meet our international obligations and to replace the temporary legislation and put it on a permanent footing.

The Bill has been subject to thorough scrutiny in the Lords, but in the Committee sittings next week we will not shirk from our duty to examine it robustly. As my right hon. Friend said, we will table amendments. The report of the Joint Committee on Human Rights has only just been placed before the House—I think it was available on Friday—and it contains some suggested amendments that we may table, as my right hon. Friend indicated to the hon. Member for Aberavon (Dr Francis), who chairs the Joint Committee. We will keep some of the issues under review in the light of the review being carried out by Lord Macdonald and the internal review.

It is a shame that the hon. Member for West Suffolk (Matthew Hancock) is no longer in his place. I think he slightly misunderstood some of the points made in the opening remarks made from the Opposition Benches. We did not say that the Bill was being rushed through with undue haste. That point was made by my right hon. Friend the Member for Leicester East (Keith Vaz), the Chair of the Home Affairs Committee. He did not speak in the debate—*[Interruption]*. I thought he had just made a number of interventions, but I stand corrected. He is such a frequent speaker in this place that I lose track of when he pops up and when he does not.

There was also a misunderstanding on the part of the hon. Member for West Suffolk about the amendments that we might table in Committee, but I hope that he will decide to become a member of the Committee and that we will be able to take up those points with him then. I should point out that it is certainly our intention to co-operate with the Government to try to get the Bill through.

I shall now turn to my notes on what my right hon. Friend the Member for Leicester East said—which does indeed confirm that he spoke in the debate—and a fascinating contribution it was, too! He said that the Home Affairs Select Committee would look into this issue more generally after Lord Macdonald had reported, and that it would examine issues such as control orders and the wider civil liberties questions. He also asked the Minister a number of questions about whose accounts had been frozen and whether the 205 such accounts related to 205 separate individuals. He also said that not much money seemed to be involved. I hope that the Minister will be able to respond to those points in his closing speech.

The hon. Member for Cambridge (Dr Huppert) is a member not only of the Home Affairs Select Committee but of the Joint Committee on Human Rights, so he has a double interest. He said that he intended to table some amendments in Committee, which presumably means that he wants to be a member of the Committee. I am not sure whether the Liberal Democrat Whips will be quite so enthusiastic about his doing that, but we look forward to seeing him next week if he is allowed. He raised some important points tonight, as did the hon. Member for Hexham (Guy Opperman), particularly about the test of reasonable suspicion being replaced after 30 days by one of reasonable belief. He said that that was still a lower standard of proof than that of the balance of probabilities. That is an important point, and it has been discussed in the other place.

Guy Opperman *rose—*

Dr Huppert *rose—*

Kerry McCarthy: I am spoiled for choice! I shall give way first to the hon. Member for Hexham.

Guy Opperman: I have no issue with the fact that I have been chosen over Cambridge. Do the Opposition have a specific view on what the percentage is? The hon. Lady will recall that the hon. Member for Cambridge (Dr Huppert) and I mentioned this in our speeches. Is it 40%, 30% or 20%?

Kerry McCarthy: Would the hon. Member for Cambridge like to intervene now, so that I can answer both hon. Members at once?

Dr Huppert: I was going to ask a very similar question of the hon. Lady. Will she clarify the Opposition's policy? Should the test be one of reasonable suspicion, as under previous legislation, or one of the balance of probabilities? The right hon. Member for Delyn (Mr Hanson) seemed to suggest that there should be a very low threshold, perhaps even lower than the one the Government propose.

Kerry McCarthy: We welcome the fact that the reasonable suspicion test is to be in place for only 30 days before it moves to one of reasonable belief, which is slightly tougher. In response to the hon. Member for Hexham, it is a matter for the courts to interpret what "reasonable belief" would be. We need to thrash out in Committee whether that constitutes a much lower standard than the balance of probabilities. We do not have a firm view on that, but we need to debate the matter in Committee.

The hon. Member for Upper Bann (David Simpson) spoke from his experience of the Northern Ireland situation, as did my right hon. Friend the Member for Delyn, who is a former Northern Ireland Office Minister.

The hon. Member for Upper Bann described the Bill as a sincere attempt to deal with important issues, but raised some questions about the interpretation of civil liberties, and it is important that they should be thoroughly debated in Committee.

The hon. Member for Dwyfor Meirionnydd (Mr Llwyd) said that it was absolutely vital to scrutinise these matters, and that, although there seemed to be unanimity of purpose across the House in that we all want to ensure that assets are not misused for terrorist purposes, that was not quite the same as ensuring that the legislation would actually work. He referred to the Dangerous Dogs Act 1991 and to the legislation that followed the shootings at Dunblane, and made the valid point that we must ensure that the legislation will not be struck down because of a perceived illegality. He quoted Burke saying that bad law was the worst kind of tyranny. This highlights the importance of scrutinising the Bill in Committee, and, although we broadly support its intentions and principles, we will subject it to robust scrutiny next week.

7.15 pm

The Exchequer Secretary to the Treasury (Mr David Gauke): It is a pleasure to be able to conclude today's Second Reading debate. This is a most important Bill that covers issues of national security and civil liberties. These are significant issues that deserve full scrutiny and I would like to thank all hon. Members for their eloquent contributions.

My hon. Friends the Members for West Suffolk (Matthew Hancock) and for Hexham (Guy Opperman) brought experience and expertise to the debate. My hon. Friend the Member for Cambridge (Dr Huppert) spoke in a way that I am sure his predecessor, David Howarth, would approve of. He raised a number of questions in regard to the Joint Committee on Human Rights, which I shall address in detail in a moment.

The right hon. Member for Leicester East (Keith Vaz) made a memorable speech—*[Laughter.]* Well, at least I will remember it. He noted that he was somewhat suspicious of anything that had cross-party support from both Front Benches. I imagine that he did not experience that very often when he was a Minister. I should like to thank the hon. Member for Dwyfor Meirionnydd (Mr Llwyd) for highlighting his concerns about knee-jerk legislation and making a similar point to that of the right hon. Member for Leicester East. The hon. Member for Upper Bann (David Simpson) brought to the debate the experience of his part of the United Kingdom, Northern Ireland, which has suffered so much from terrorism over many years. He asked a number of questions that I hope to be able to respond to later.

A number of issues have been raised in the debates over the course of this year, and I am pleased to say that the Government have responded to the concerns raised in the House earlier this year and to those raised in the public consultation exercise on the previous Government's draft legislation. We introduced legislation as soon as possible, to ensure that Parliament has sufficient time to scrutinise the legislation properly and still meet the 31 December deadline to avoid a gap in the regime and the unfreezing of assets. The Bill before the House today is a significant improvement on the current asset-freezing regime, because it strengthens civil liberties safeguards without undermining the effectiveness of the UK's asset-freezing regime in disrupting terrorism.

Let me address in more detail the striking of the right balance between national security and liberty in the context of the Bill. I shall deal first with the national security element of that balance. Let me be clear that, while it is true that the asset-freezing regime has an impact upon human rights, it is the Government's view that the interferences set out in the Bill are necessary in the interests of national security and public protection. We have recently been reminded of the very real threat posed by international terrorism.

To achieve our objectives, the Government must have the right tools to combat terrorism in the UK and overseas. It is not sufficient for us to be reactive, and to be able to deal with an atrocity only after it has happened. We must be able to act preventively, to disrupt terrorist plots in their planning stages. Hon. Members will acknowledge that one of the most effective ways of doing this is to limit terrorists' access to finance. We know that terrorists need finance to carry out attacks, to maintain their infrastructure, training, equipment and recruitment, and to promote their message of hate. In order to contain the threat that these extremists pose, the Government need to be able to act quickly to freeze the funds and finances of those involved in terrorism who are considered to present a real threat to the general public. The Government believe that the UK's asset-freezing regime is the right means to achieve that.

There is no question but that the asset-freezing regime has proved a valuable tool for disrupting and preventing terrorist financing. The £140,000 of currently frozen assets could be used to devastating effect were they to be released. The right hon. Member for Leicester East made the point that the total amount that has been frozen is perhaps surprisingly small, but it is worth remembering that disproportionate damage can be done with a small amount of money. As we have heard, the 7/7 attacks cost less than £10,000.

Keith Vaz: We clearly understand that it takes only a small amount of money in certain circumstances, but will the Exchequer Secretary clarify those figures for us? Is he saying that £140,000 is frozen at the moment? Does he know the total amount that has been frozen since the previous Government introduced the original legislation, or would he be able to write to me with the number or place it in the Library so that Members will all know it?

Mr Gauke: The current figure is £140,000, as I said. The figure that the right hon. Gentleman talks about is £290,000, which as I understand it is the amount that has been frozen in total. He asked earlier about the 205 accounts referred to in the written ministerial statement. That does not necessarily mean that 205 people are involved, and it is worth pointing out that 24 people in the UK are subject to asset freezes under the legislation that the Bill will replace.

Keith Vaz: I think the fault is perhaps in the drafting of the written statement. It states:

"As of 30 September 2010, a total of 205 accounts containing just under £290,000"

[Keith Vaz]

were frozen. It would be helpful if, perhaps through the next such statement, we could know the current figure. That is where my figure comes from.

Mr Gauke: The right hon. Gentleman's comments are helpful, as always, and I am sure they have been duly noted.

It is right to point out that asset freezing is a preventive tool, and that people can be subject to a freeze only if the legal test is met—in other words, if they represent a terrorist threat and so the freeze is necessary for public protection. The Treasury must have reasonable grounds to suspect their involvement in terrorist activity. I will return to that point in greater detail when I turn to the comments of the Joint Committee on Human Rights. It is also worth pointing out that 21 of the 24 persons in the UK subject to these measures have been charged with, or convicted of, terrorist offences.

Asset freezing is not just an effective domestic tool, it is necessary. The UK has an international obligation to freeze the assets of terrorists, and the Government are content that the Bill's provisions remain fully compliant with international standards and are sufficiently robust to meet the needs of the police and security services, who are engaged in a day-to-day battle to maintain the security of the general public.

The right hon. Gentleman asked one or two questions about complaints. Any person who is not satisfied with a decision taken by the Treasury may request a review of the decision, and if after that review they are still unsatisfied, a complaint regarding the handling of the case can be made under the Treasury's official complaints procedure. A senior official not directly connected with the case will then take the review decision. A designated person may appeal against their designation through the courts, and in the case of any other decision, such as on licensing, applications can be made to the High Court for the decision to be set aside.

The right hon. Gentleman asked what happens to people whose freezes have been revoked. As he pointed out, the revocation of a freeze does not show that the system is failing to work or that the imposition of a freeze in the first place was wrong. Circumstances can change, so it may no longer be necessary to maintain a freeze even though it was necessary when it was imposed. When a freeze is revoked, the individual concerned is notified, the revocation is brought to the attention of the financial sector and the outside world and the restrictions on their financial activity are removed.

One concern that has understandably been raised is whether the system is well targeted on terrorism. My hon. Friend the Member for Cambridge made that point. Terrorism, for the purposes of the Bill, is defined in clause 2(2) as involving one or more of

> "the commission, preparation or instigation of acts of terrorism...conduct that facilitates the commission, preparation or instigation of such acts, or that is intended to do so",

or conduct that supports or gives assistance to persons believed to be involved in such conduct.

To respond to the point made by the right hon. Member for Delyn (Mr Hanson) about organised crime, the Bill contains very specific powers designed to meet our UN obligations to freeze the assets of terrorists. They are not intended to be used against organised criminals unless they are also involved in terrorism, and the Government have other powers to deal with organised crime.

I turn to the very important issue of civil liberties, because we have to get that right and ensure that the balance is correct. As my hon. Friend the Financial Secretary set out, the Bill does not simply reintroduce the previous regime, which the Supreme Court quashed. We have introduced additional safeguards and made changes to ensure that the regime operates in a clearer and more transparent manner. Those changes reflect the civil liberties concerns that were raised in Parliament during the passage of the emergency legislation and in the public consultation exercise conducted over the spring and summer. We do not believe they will undermine the effectiveness of the regime or continued compliance with international best practice.

I shall highlight the key elements of those changes. We are introducing more targeted prohibitions, to limit the impact of asset freezing on innocent third parties. There is provision to ensure that the regime does not catch the payment of state benefits to the spouses or partners of designated persons, and so does not have the draconian impact on family life about which the Supreme Court was concerned. The establishment of an independent review function will ensure that there is proper independent scrutiny of the asset-freezing regime.

As the Financial Secretary highlighted, during the Bill's passage in the other place the Government introduced significant further safeguards to raise the legal test for freezing assets for more than 30 days from reasonable suspicion to reasonable belief, and to strengthen judicial oversight by ensuring that there is a full merits-based review of designation decisions. Those are important new safeguards that will make the asset-freezing regime significantly fairer, more proportionate and more transparent, and I welcome the endorsement that they have received from hon. Members today. However, we have also heard in today's debate, and read in the report of the Joint Committee on Human Rights, some calls for the Government to go further and introduce more civil liberties safeguards. I wish to respond to those points.

One concern that has been raised is that reasonable belief is still too low a threshold for freezing assets, and that the Government should be able to do so only on the balance of probabilities—in other words, if someone is more likely than not to be involved in terrorism. It has even been argued that asset freezes should be imposed only in cases of criminal charge or conviction. I shall reiterate why the Government do not agree with, and cannot support, those proposals.

To meet our UN obligations and protect national security, asset freezing must be preventive: that is, it must be capable of being used at an early stage to disrupt and prevent terrorist attacks. Setting the legal test higher than reasonable belief would make it more difficult to use the asset-freezing tool in a preventive manner, and therefore make it less effective because the level of evidence needed may rule out the use of asset freezing when it could be most useful.

Dr Huppert: Does the Minister genuinely think it appropriate to freeze people's assets when the Treasury believes that it is more likely that they are not involved in terrorism than that they are so involved?

Mr Gauke: I reiterate that it is necessary to have a tool available to use at an early stage, for preventive reasons. The asset freezes imposed on those suspected of involvement in the transatlantic plane bomb plot in 2006 provide a good example of the value that preventive asset-freezing can have for national security. It is important that we preserve that element of asset-freezing. In the Supreme Court, Lord Rodger spoke of the nature of intelligence and the need, sometimes, to act on information that is fragmentary and not certain. For the same reason, the Government cannot support limiting asset-freezing to those charged with, or convicted of, a terrorist offence.

Although a significant majority of those in the UK whose assets have been frozen have been charged or convicted of a terrorist offence, limiting freezing to such people would have two significant drawbacks. First, preventing the Treasury from freezing assets when it reasonably believes that someone is involved in terrorism and when it considers that asset-freezing is necessary to protect the public, but when a person has not been, or could not be, charged, would incur a significant cost for national security. Secondly, limiting freezing in that way would severely curtail the Treasury's ability to freeze the assets of international terrorists or terrorist groups operating overseas. Many such persons and groups operate in countries where they will not be prosecuted, perhaps because the country does not have the capability or the will to prosecute terrorists.

Dr Huppert: I understand the Minister's point about those not in Britain, but what about those who are, and hence subject to our controls? Given that the threshold for powers of arrest is reasonable suspicion, does he agree that anyone who has enough evidence to freeze assets would also have enough evidence to arrest?

Mr Gauke: Given the flexibility that we need, I believe that we have struck the right balance by allowing an interim arrangement on the basis of reasonable suspicion followed by a longer-term arrangement on the basis of reasonable belief. Sometimes, it is a question of timing and we may need to act first on freezing assets and subsequently to make an arrest—we must remember that after all, the vast majority of those in the UK who have been subject to a freezing order have gone on to be arrested. For example, if we limited the Treasury's freezing powers to those charged or convicted, we could prevent the UK from co-operating with international partners when we are trying to prevent funding getting to international terrorists and terrorist groups. For those reasons, the Government remain convinced that the legal test as set out in the Bill—reasonable suspicion for an interim period of 30 days and reasonable belief for a final designation—strikes the right balance.

My hon. Friend the Member for Cambridge mentioned the role of the courts, which has also been raised by civil liberties groups. They have called for a mandatory court involvement in asset-freezing. They want freezing decisions either to be made by the courts or to be approved by them mandatorily, but the Government do not support those proposals. Decisions to freeze assets are national security measures taken on operational advice from law enforcement and intelligence agencies, and fall squarely within the remit of decisions that Ministers should and do make on other matters, such as prescription, deportation and exclusion. Ministers are accountable for their designations both to Parliament and to the courts.

We also do not believe that mandatory court approval for asset freezes is the right approach. Only a very small minority of asset-freezing cases—around 10% of current cases—concern people in the UK who have not been prosecuted for a terrorist offence. The remaining 90% of cases concern either individuals in the UK who have been prosecuted or individuals and groups overseas. Mandatory court approval would therefore add no value in those 90% of cases. Indeed, it might even be unhelpful. For example, overseas terrorist groups who do not currently challenge asset freezes would nevertheless have their designations subjected to mandatory court scrutiny.

My hon. Friend also mentioned written reasons. We heard today that the JCHR recommends that an express requirement to provide reasons for a designation, subject to public interest requirements of non-disclosure, be written into the Bill. The Committee's reasons for that were eloquently put, but the Government are not convinced that an express obligation on the Treasury to provide reasons for a person's designation is necessary. It is already a requirement of the basic principles of administrative law to provide reasons for a designation where possible, subject to public interest requirements. If this Government or any other were to write into a Bill all the Treasury's obligations under administrative law, such a Bill would be considerably longer. I do not see that as desirable. The time available for parliamentary scrutiny should not be spent debating unnecessary provisions. I should also make it clear that there will be times when the Government cannot divulge the case against a person or the reason for a designation, such as when sensitive intelligence has been relied on for a decision and there is an obvious case for withholding information. None the less, where possible, the Government disclose information when that can be done without, for example, damage to a pending prosecution or to national security. There is no sensible reason to go beyond that and write such a requirement into the Bill.

The JCHR also sought to convince hon. Members that the Government should accept the principle set out in the House of Lords in the case of AF on the use of special advocates and closed-source material. It said that that principle should apply to asset-freezing provisions. I am sure that hon. Members have read *Hansard* and are aware of the debate on that in the other place. I can but restate the points that the Government made then. First, the courts have not considered whether AF applies in asset-freezing cases, and it is not the role of the Government to prejudge what the courts would say. Secondly, the Supreme Court will consider the wider application of AF (No. 3) in January 2011 when it hears the Tariq case. Thirdly, the Government are committed to ensuring that any challenge to a Treasury decision is heard fairly. Finally, the application of AF (No. 3) is part of a wider debate on the use of special advocates and intelligence material, and we have already announced that we will be considering the use of special advocates and closed-source evidence as part of a Green Paper next year.

There will be plenty of opportunity for the JCHR and other interested parties to relay their views as part of the consultation that informs that Green Paper. It is

[Mr Gauke]

right and proper that the Government give all parties the option of commenting on such an important mechanism without prejudging the outcome.

The final matter raised by the JCHR is the question of transparency and accountability. The Bill strengthens transparency and accountability in two ways. First, we are enshrining in legislation the Treasury's existing practice of presenting quarterly reports to Parliament on the operation of the powers in the Bill. That will guarantee transparency on the quarterly operation of the regime. Hon. Members will note that the most recent quarterly report was laid today. Secondly, we have written into the Bill that the operation of the regime should be independently reviewed nine months after the Bill is passed and every 12 months thereafter.

The JCHR maintains that the provision in the Bill for an independent reviewer does not go far enough and that the independent reviewer should be more independent of the Government—the right hon. Member for Delyn made that point in the debate. I am sure that that will be debated further in Committee, but the Government cannot accept the JCHR position. We are committed to effective scrutiny of the asset-freezing regime and the independence of the reviewer will be a principal objective of any appointment, but for Parliament to approve the independent reviewer would be a significant departure from standard practice. The appointment of the reviewer by the Government reflects the long-standing principle that Ministers are directly accountable to Parliament and the public for those whom they appoint and for the operation of the regime.

Mr Hanson: I tend to agree with the Minister, as I indicated in my discussions, but can he tell the House whether the reviewer for this piece of legislation is likely to be the same one as is currently in post, which is Lord Carlile, who is soon to be replaced by David Anderson QC?

Mr Gauke: I am grateful for the point that the right hon. Gentleman makes. The final decision on that is still to be made, so if he will just be a little patient, he will receive the answer in due course.

Dr Huppert: The Government have recently started taking the approach that independent people can be scrutinised by a Select Committee to check that they are sufficiently independent. Could we go down that route to check the independent reviewer?

Mr Gauke: I am on the record many times as arguing why Parliament should have a significant role in a number of public appointments, but in this area we have arrangements whereby Ministers take responsibility and are accountable. We will ensure that the independent reviewer is free to examine any aspect of the regime, and his or her findings and recommendations will be released in full to Parliament. We also think that the Treasury has to have sight of the independent reviewer's report prior to its being laid before Parliament, but that is only for the entirely sensible and understandable process of ensuring that no material detrimental to national security is inadvertently released. To answer the question specifically, Ministers have to take responsibility on this and we are not inclined to move away from that position.

I wish to address a point made by the hon. Member for Cambridge about ensuring that a designated person has reasonable expenses and is not left in desperate hardship. There is a requirement in law for the Treasury to implement asset freezes proportionately, taking full account of the human rights of a designated person and their family. My hon. Friend the Member for Hexham asked whether a designated person is able to fund their appeal—there was concern that that might not be the case. The Treasury has issued general licences to enable any legal aid payments to be made to a designated person's solicitors where they are eligible for legal aid and to allow third parties to pay a designated person's legal expenses. Where a designated person wishes to use their own funds for legal expenses, an individual licence can be applied for. The asset freeze does not, therefore, hinder a designated person from challenging their designation or any other decision, such as to impose particular licence conditions.

I wish also to pick up on the points raised by the hon. Member for Upper Bann. He raised the concern about decisions being taken not to publicise a designation and asked whether there is a danger that third parties are not aware of the designation—that is a perfectly fair point. The offences in the Bill apply only where a third party is aware, or should be aware, of the designation; if they do not know, and have no reason to know, no offence will be committed. I hope that that provides some reassurance to him. Where a designation is not publicised, financial institutions will still be informed, as that helps to ensure that funds are frozen. I reassure him that decisions not to publicise are rare and are always taken for very good reasons, and that the designated person will be told.

I also wish to pick up on the hon. Gentleman's point about whether someone could be subject to a 30-day freeze on the basis of suspicion and then be subject to another such freeze after the first one is dropped. Freezes cannot be continually retained on the basis of reasonable suspicion by dropping a freeze after 30 days and then reimposing it as the new interim freeze based only on reasonable suspicion arising from the same or substantially the same evidence—clause 6(3) makes specific provision on that. A new interim freeze could be made if there is significant new evidence that significantly contributes to a fresh reasonable suspicion on the Treasury's part. Without such new evidence, a freeze could be maintained after the 30 days only if there was reasonable belief that the person is involved in terrorism.

I shall now deal with the questions raised by the right hon. Member for Delyn about the overall counter-terrorism review and its relationship with this Bill. This is a stand-alone Bill and it is not intended to be further amended by the counter-terrorism review. The Government have already considered civil liberties safeguards for this Bill and introduced amendments at Committee stage in the other place, as I have mentioned. There is no intention to amend the Bill further.

In conclusion, today's debate has been about the balance between national security and safeguarding civil liberties. I am convinced that the Bill strikes the right balance between both. It is effective and fair, it takes the necessary steps to prevent the raising and use of funds for terrorist purposes and it sets the terrorist

asset-freezing regime in primary legislation for the first time. I commend the Bill to the House and look forward to further discussion in Committee.

Question put and agreed to.

Bill accordingly read a Second time.

TERRORIST ASSET-FREEZING ETC. BILL [*LORDS*] (PROGRAMME)

Motion made, and Question put forthwith (Standing Order No. 83A(7)),

That the following provisions shall apply to the Terrorist Asset-Freezing etc. Bill [*Lords*]:

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not usbpreviously concluded) be brought to a conclusion on Thursday 25 November 2010.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of any message from the Lords) may be programmed.—(*Angela Watkinson.*)

Question agreed to.

TERRORIST ASSET-FREEZING ETC. BILL [*LORDS*] (MONEY)

Queen's recommendation signified.

Motion made, and Question put forthwith (Standing Order No. 52(1)(a)),

That, for the purposes of any Act resulting from the Terrorist Asset-Freezing etc. Bill [*Lords*], it is expedient to authorise—

(1) the payment out of money provided by Parliament of any expenses incurred by

the Treasury or any other Minister of the Crown in consequence of the Act; and

(2) the making of payments into the Consolidated Fund.—(*Angela Watkinson.*)

Question agreed to.

Sports Grounds Safety Authority Bill (Money)

Queen's recommendation signified.

7.46 pm

The Minister for Sport and the Olympics (Hugh Robertson): I beg to move,

That, for the purposes of any Act resulting from the Sports Grounds Safety Authority Bill, it is expedient to authorise the payment out of money provided by Parliament of any expenditure incurred by the Secretary of State by virtue of the Act.

I should like to take the opportunity to thank my hon. Friend the Member for Woking (Jonathan Lord) for introducing this important Bill, and I am pleased to be able to confirm the Government's support. On Second Reading, it was the will of the House that the Bill should be discussed in Committee. The Bill repeals and replaces the statutory basis for the Football Licensing Authority and thus triggers the need for a new money resolution. The Bill seeks to reconstitute the FLA as the sports grounds safety authority and will extend its advisory functions so that it has the power to provide advice about safety at sports grounds to any national or international organisation, person or body.

The FLA receives grant in aid funding from my Department of just under £1.2 million a year to carry out its statutory functions, including advising on spectator and venue safety issues at football grounds in England and Wales. The Government are very clear that the FLA carries out an important role and want this to continue, but we also want to allow it more freedom to develop and thus become more independent from government and less reliant on public funding. The FLA has built up a national and international reputation for expertise in the area of sports ground safety, but the statute prevents it from formally sharing that advice with other sports or with those in other countries, and it is right that we remove that restriction.

Extending the FLA's advisory role will be especially important as we approach the biggest sporting events that this country has ever staged, including the London 2012 Olympics and Paralympics. It makes complete sense to free the FLA from current constraints and allow it to provide advice to the London Organising Committee of the Olympic Games and Paralympic Games and local authorities in relation to non-football Olympic venues. That would allow the authority to offer such advice to other sports, creating the potential to help to ensure greater consistency in the application of sports grounds safety advice across all sports.

The new role will not extend the FLA's regulatory role, nor will it add any burdens to football clubs, other sports or local authorities or, indeed, change the safety regime for football or other sports grounds. The Government are committed to reducing regulatory burdens, not increasing them. In addition, local authorities and others will not be required to seek advice from the new authority in relation to sports grounds.

Although the authority will be able to charge for its advice in certain circumstances, providing that it has the consent of the Secretary of State, that will be limited to cost-recovery only, so there is no risk of the fees being unreasonable. Those charges will simply ensure that the costs of providing the advice are generally met by those who receive the benefits of that expertise, rather than by

[Hugh Robertson]

any increased public expenditure. However, there still may be occasions when it is not justifiable to charge, and when the organisation can easily absorb the costs of that advice. It is therefore important that there are no doubts in relation to the use of publicly funded resources by the sports grounds safety authority. On that basis, I commend the motion to the House.

7.51 pm

Ian Austin (Dudley North) (Lab): I thank the Minister for his courtesy earlier today. As he said, the Football Licensing Authority was established in the wake of tragedies at football grounds such as Hillsborough in 1989 and Heysel in 1985. Following Lord Justice Taylor's final report on the Hillsborough disaster, the FLA was charged with responsibility for monitoring local authorities' oversight of spectator safety at international, premiership and football league grounds.

The Minister is absolutely right about the FLA's importance. My right hon. Friend the Member for Knowsley (Mr Howarth) referred to the establishment of the FLA as a debt of honour to the families of those who lost their lives at Hillsborough; my hon. Friend the Member for Halton (Derek Twigg), who was at Hillsborough on the day of the tragedy, said that he believes the FLA was the correct response to helping to ensure that nothing like that happens again; and my hon. Friend the Member for Wirral South (Alison McGovern) has already raised a series of concerns and questions about the Bill with the Minister for the Cabinet Office and Paymaster General, the right hon. Member for Horsham (Mr Maude), and I know that she will scrutinise its details as it proceeds through the House. Other hon. Members with Merseyside constituencies and interested members of the public have also raised a number of questions.

Margaret Aspinall, of the Hillsborough Family Support Group, for example, said that the Government

"must make sure there is no cost-cutting on safety."

We agree and believe that any dilution of the focus on safety at football grounds would be a cause for concern. I welcome the additional details that the Minister has provided today, because it is fair to say that the detail of the Government's intentions had not been crystal clear.

The Government announced the abolition of the FLA in the spending review and said that its responsibilities were being "transferred to another body". They obviously support the Bill, but the Minister for the Cabinet Office has been reported as saying that the responsibility for safety at grounds will shift to local authorities, so although we will not oppose the motion, we will vigorously scrutinise the Bill in Committee in order to ensure that safety is not compromised.

7.53 pm

Jonathan Lord (Woking) (Con): I am grateful to the Minister for moving the motion and supporting my Bill, and to the shadow Minister for his guarded support at this stage. I hope that we can make that the Opposition's full support in due course. I hope also that the House will allow the Bill to proceed into Committee.

The Football Licensing Authority was set up by the Football Spectators Act 1989 in the wake of the Hillsborough disaster. Over subsequent years, the authority and its key personnel have gained an extremely good reputation for their expertise and experience in football ground safety, but the organisation has been forced to turn down requests from other sports and sports grounds for safety advice, as its existing statutory remit extends only to football—even though those seeking that advice had indicated their willingness to pay.

The increased advisory role that the Bill proposes will usually be provided at no additional cost to the organisation or to the public purse. The sports grounds safety authority will be able to charge to recover its costs for providing advice about the safety of sports grounds, but that will be with the consent of the Secretary of State, and there will be no requirement for the authority to offer its advice.

A charge for the authority's advice will not always be appropriate or necessary, for example when giving one-off, informal views, so such costs will be easily absorbed by the authority's existing resources.

As the Minister explained, his Department is committed to funding for the FLA of just under £1.2 million a year, and that figure should not have to rise as a result of the Bill. The Bill will allow the sports grounds safety authority to generate additional income streams, especially from advice to other sports. Charges for that advice will not be allowed to generate profits, but the authority will be able to include an element of fixed and running costs, thereby relieving pressure on public funding.

In particular, the Bill will enable the authority to become fully involved with safety advice and guidance to the London Organising Committee of the Olympic Games and Paralympic Games and to local authorities in relation to the 2012 Olympic venues. As we prepare to welcome the rest of the world to our shores for the Olympic and Paralympic games, I trust that the House will approve the motion and, in due course, the Bill in order to help to ensure that the games are as safe as we can possibly make them. I commend the motion to the House.

Question put and agreed to.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

IMMIGRATION

That the draft Immigration (Biometric Registration) (Amendment) Regulations 2010, which were laid before this House on 11 October, be approved.—*(Angela Watkinson.)*

Question agreed to.

Sunderland Point

Motion made, and Question proposed, That this House do now adjourn.—*(Angela Watkinson.)*

7.56 pm

David Morris (Morecambe and Lunesdale) (Con): I tabled this Adjournment debate to highlight the plight of an area in my constituency called Sunderland point. Sunderland point is a narrow sliver of land. It could not be described as a peninsula or as an island, yet it is effectively an island when the tide comes in. One has to travel across the estuary to reach it.

Sunderland point is the only area of its kind left in the whole world. It is literally an area of outstanding natural beauty, and it is steeped in history. The point flourished in the 1600s and 1700s because of the slave trade and the import of wood. It was Britain's main port at the time. Over the years, it has become a shrimping community where people get on with their daily lives, but, owing to the death of a slave boy called Sambo at the point in the early 1700s, the movement to enact the abolition of the slave trade began there.

The child believed, legend has it, that his master had deserted him, and he took ill and died. There was outrage, because the boy was buried in an unconsecrated grave, and, although the issue took years and years—several decades indeed—to reach this House, eventually Wilberforce pushed through his Bill to abolish slavery. On the child's tombstone, there is a poem, and the very last line—

"Not on Man's color but his worth of heart"—

was a clarion call for abolition. Bonnie Prince Charlie also landed at Sunderland point, from where he invaded the British isles.

More recently, Sunderland point has been under threat from coastal erosion. The point is estimated to be eroding by 1 metre a year. The locals say more, but official figures state about 1 metre. Nevertheless, the point is now eroding rapidly, because the sea has started to reach an area of fields, where there is mainly clay, rather than rock. The problem is that the question of who can help the community seems to have fallen between the cracks of various points of officialdom. Natural England seems to be the main roadblock. This is supposed to be an area of special scientific interest, but I cannot for the life of me see why it would have any scientific interest if it is not going to be there in 50 years' time. The Environment Agency has a strategic plan to hold back the tide, but no money to enact it. This story has been running for the whole week on local radio and television and in the regional media.

The community is well on the way towards getting the money to put up a wall of aggregate to stop the point eroding. That will not cost the taxpayer any money whatsoever. It is a shrimping community, and people want to preserve their way of life. It is the only place left in the whole world like it. There is evidence to suggest that George Washington's family sailed from Sunderland point to the new world, and we all know what happened from there on in.

I am fighting against the plight of my local residents on their behalf because this is an area of outstanding historical value. Once it has gone, it will have gone for ever—and it will be gone within 100 years. Moreover, the way that the waters move and swell in the bay means that they will eventually start eating away at Glasson dock, which is a working port and a big employer, and affect the village of Overton. The Environment Agency has a management realignment plan for that, but let us say it in plain English: in layman's terms it is coastal erosion.

I am asking the Department for Environment, Food and Rural Affairs to consider using its powers under section 16(1) of the Natural Environment and Rural Communities Act 2006 to overrule Natural England if it continues to block efforts to install the flood defences that the local community badly need to put in place to save Sunderland point.

8.1 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I am extremely grateful to my hon. Friend the Member for Morecambe and Lunesdale (David Morris) for raising this important issue and for offering me the opportunity to discuss the Government's approach to managing erosion and flood risk on our coastlines and to respond to his specific points.

The area that my hon. Friend describes is one of extraordinary historical value, and I genuinely appreciate its importance for so many people in his constituency and beyond. The connection that he made with George Washington will no doubt excite interest from beyond our shores. The historical connection with the abolition of slavery is a remarkable story. One can only imagine the tragic consequences that led to the siting of the grave he mentioned, and the importance of that in leading to the whole debate that ended up in this place and saw one of the scourges of the history of this country and of the world consigned to the history books.

I fully appreciate that coastal flooding and erosion are issues of significant concern for my hon. Friend's constituents and for other coastal communities living in vulnerable areas. On a recent visit to another part of the coast, I saw at first hand the difficulties that coastal change causes for communities.

Before I turn to the detailed points that my hon. Friend made regarding Sunderland point, I would like to outline what was agreed for funding in the spending review and to explain the Government's general approach to managing flood and coastal erosion risk. The Government are committed to protecting people and property from flooding and coastal erosion where it is sustainable and affordable to do so. I appreciate my hon. Friend's point about money, and I will talk about that specifically in a moment. In the recent spending review, flood and coastal erosion risk management was identified as a priority area for DEFRA. My Department has made it clear that we will protect front-line services such as forecasting and warning services and incident response, and prioritise the maintenance of existing defences. Times are tough, and it will be difficult to kick off new defence projects over the next couple of years, but as a result of the investment that we are making, we expect to deliver better protection from flooding and erosion to 145,000 households by March 2015. Annual budgets are yet to be finalised, and my hon. Friend will therefore appreciate that it is not possible to discuss individual projects. However, for the benefit of the House I should add that defences already under construction will be completed under existing arrangements.

[Richard Benyon]

It is important that we are honest with communities about what can and cannot be done. As I have said to the EFRA Committee, a generation of politicians across several Governments have given assurances about coastal defences that it has not been possible to live up to. The idea that we could "hold the line" on the whole of our coastline in perpetuity, and defend every house, was a notion that was wrong from the outset, but that does not mean that we cannot successfully work with local communities in areas such as the one that my hon. Friend describes. However, although it is not possible to protect all areas, there is more that we can do through innovative approaches. A number of communities are already taking the lead in identifying alternative sources of funding for defences or trialling ways of "rolling back" homes and maintaining local amenities where erosion is taking place.

Let me turn to the specific case of Sunderland point. As my hon. Friend points out, Sunderland village is located on a headland and is frequently cut off from the mainland by the high tide. Properties in the village have flooded on six occasions in the past 20 years. Sunderland point is an uninhabited area at the tip of this headland. As a result of coastal erosion, it has retreated by 75 metres since 1848. I appreciate that this has been an issue of significant concern for the residents of Sunderland village, who fear that the erosion of the point may increase the risk of flooding to their homes. That is a point of concern to a wider population who recognise the amenity and the historical value of this site.

The Environment Agency has investigated the issue and has concluded that erosion of the point is not increasing the flood risk to Sunderland village. I appreciate that that conclusion will concern my hon. Friend. I am aware, however, that flooding continues to pose a threat to the village. As he intimated, there is not a sufficiently strong case for national funding of flood defences for Sunderland village because there are not the benefits to justify the costs. However, the village did benefit from a DEFRA grant scheme in 2008, through which the Environment Agency and the local authority provided property level flood protection measures to 30 houses that are at risk.

As my hon. Friend said, people in the local community have done precisely what we want them to do, which is to come forward with innovative local solutions that can secure a coastline that they feel is important to deal with the risk that they face and to protect a much-loved environment. We have to unblock a blockage within government, at whatever level that is, as regards whether, in protecting a site of special scientific interest, we may be causing other damage that neither I nor my hon. Friend are aware of. That is the conversation that I will be having in response to the very sensible points that he makes. I will talk to Natural England as a matter of urgency to get to the bottom of this issue, because I recognise its importance locally.

It is clear that flooding and coastal erosion are very serious issues for this community and many other communities along that part of the coastline. We know that the effects of climate change will only increase the pressure on such communities. Funding is clearly the key issue but, as my hon. Friend pointed out, taxpayer funding is not an issue in this case. That is a very important matter that I will take forward. We in DEFRA are consulting on a new approach to funding that will be more transparent and give local areas a bigger say in what action is taken to protect them in return for more local contributions. The Government will continue to focus on those at greatest risk and on people in the most deprived areas of this country.

I thank my hon. Friend for the opportunity to debate these issues today. I give him the firm assurance that I will take up the points that he raises and, if necessary, get him together with the officials whom he believes are holding up the situation. I want to ensure that all agencies of government are working together and that we are not only doing everything we can to protect sites of special scientific interest in important historical locations such as the one he describes but working to reassure local communities that everything that can be done is being done to support their obvious and expected intentions in wanting to protect their homes from flooding and coastal erosion.

Question put and agreed to.

8.9 pm

House adjourned.

House of Commons

Tuesday 16 November 2010

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER IN THE CHAIR]

BUSINESS BEFORE QUESTIONS

REDFERN INQUIRY

Resolved,

That an humble Address be presented to Her Majesty, That she will be graciously pleased to give directions that there be laid before this House a Return of the Report, dated 16 November 2010, of the Redfern Inquiry into human tissue analysis in UK nuclear facilities.—*(Mr Goodwill.)*

Mr Speaker: I should like to make a short statement following the announcement from Clarence house today of the engagement of Prince William to Miss Catherine Middleton. I am sure that Members from both sides of the House will join me in congratulating the couple on this most happy occasion, and wishing them all the very best for their future together.

Oral Answers to Questions

TREASURY

The Chancellor of the Exchequer was asked—

Office of Tax Simplification

1. **Michael Ellis** (Northampton North) (Con): What recent assessment he has made of the effectiveness of the Office of Tax Simplification. [23963]

The Chancellor of the Exchequer (Mr George Osborne): May I add my congratulations to the couple and say that we wish them every happiness? I am not sure that they will be particularly interested in this answer, but I hope that the House will be.

The Office of Tax Simplification was created by the coalition Government in July to reduce the complexity of a tax code that has doubled in size over the past decade. Last week, the office produced a comprehensive list of the 1,042 reliefs that now exist in the tax system. By the time of next year's Budget, we will have received its advice on which reliefs can be simplified or abolished to be consistent with the Government's wider objectives.

Michael Ellis: I congratulate my right hon. Friend on establishing the Office of Tax Simplification. He will be aware that the tax system in this country is labyrinthine in its complexity, and small businesses in my constituency of Northampton North have been adversely affected by it. Can my right hon. Friend assure me that the new Office of Tax Simplification will sort out this complexity sooner rather than later?

Mr Osborne: I can give my hon. Friend that assurance. A few months ago, he and I visited some small businesses in his constituency, many of which were suffering under the burden of a tax code that has grown from 4,900-odd pages in 1997 to 11,500 pages today. The Office of Tax Simplification is specifically looking at the taxation of small businesses as well as at the issue of tax reliefs. The small business report will be coming out later next year, but we will get an interim report in time for the Budget.

Alan Johnson (Kingston upon Hull West and Hessle) (Lab): I add the congratulations of this side of the House to Prince William and Catherine Middleton on their engagement. If they need a photographer, I understand that there is one available now. There has been a nice juxtaposition of announcements this morning. Does the Chancellor think that he is aiding tax simplification by raising VAT to a nice round 20%, and does he agree with his Cabinet colleague, the Business Secretary, who once described an increase in VAT as

"a tax on the poor to absolve the sins of the rich."?

Mr Osborne: I have to say to the shadow Chancellor that his position on VAT is completely incoherent. It is well known that my predecessor, the right hon. Member for Edinburgh South West (Mr Darling), was planning a VAT increase, had pressed the Prime Minister at the time for a VAT increase, and—he is in the Chamber so perhaps he can confirm this—when asked about it on "The Andrew Marr Show" after the election, said that of course he would have gone ahead with one.

Alan Johnson: That was not the question. The fact that one looks at every available tax before reaching a conclusion is nothing new. The conclusion we reached is that VAT should not be increased and that national insurance should be. The Liberal Democrats have been very fair in the way that they have betrayed the electorate. They have broken promises across the age divide—children, students and pensioners—so there is no age discrimination there. The Conservatives specifically said that they would not increase VAT. During the election campaign, we said that if they did not increase national insurance, they would increase VAT. The Prime Minister denied that and said that they had no plans to increase VAT. He said that VAT was

"very regressive, it hits the poorest the hardest".

I can promise Members that it does. We are now in the unique situation in which we face a tax rise that our Prime Minister has promised will affect "the poorest the hardest". At the time, the Conservatives said that an increase in national insurance would be "a tax on jobs". The Chartered Institute of Personnel and Development said that it would lead to 75,000 jobs being lost while an increase in VAT would cost 250,000 jobs.

Mr Speaker: Can we have a question from the shadow Chancellor?

Alan Johnson: Why is the Chancellor proceeding with this tax on jobs that hits the poorest the hardest?

Mr Osborne: This is what the former Chancellor said on "The Andrew Marr Show". Andrew Marr said:

"We now read from Peter Mandelson's book"—

remember, he was in the Cabinet with the shadow Chancellor—

"that you were quite keen on the idea of VAT going up."

Alistair Darling replied, "Well yeah, obviously".

We have taken the decisions necessary to restore some fiscal credibility to this country. We have a leaked memo from the shadow Chancellor's office. It states:

"Fiscal discipline is if anything more essential in opposition than it is in government."

That is from the shadow Chancellor's office, but the truth is that he cannot tell us where a penny of his £44 billion spending cuts would come from. He had two tax policies until the weekend—on graduates and 50p—and announced that he did not agree with them. Frankly, until he gets his act together and comes forward with a credible economic policy, he will not be heard.

Several hon. Members *rose*—

Mr Speaker: Order. From now on, first of all, exchanges must be shorter. Secondly, let it be clear beyond doubt that Ministers answer for the policies of the Government, not for those of the Opposition. That is the end of the matter.

Pensioners (Fiscal Assistance)

2. **Nigel Adams** (Selby and Ainsty) (Con): What fiscal measures he has introduced to provide assistance for pensioners since his appointment. [23964]

The Chancellor of the Exchequer (Mr George Osborne): With your permission, Mr Speaker, if I dare ask for it, I should like to answer this question with questions 6 and 7.

6. **Mrs Helen Grant** (Maidstone and The Weald) (Con): What fiscal measures he has introduced to provide assistance for pensioners since his appointment. [23969]

7. **Nick de Bois** (Enfield North) (Con): What fiscal measures he has introduced to provide assistance for pensioners since his appointment. [23970]

Mr Osborne: Even in these constrained times, the coalition Government have been able to find additional assistance for pensioners. We have re-linked the basic state pension to earnings and provided a triple guarantee that the basic state pension will be raised by the higher of earnings, prices or 2.5% from next April. We have also protected other key pensioner benefits and made the previous Government's temporary pre-election increase in cold weather payments permanent, because this Government treat pensioners with the dignity and respect that they deserve.

Nigel Adams: I am grateful to the Chancellor for that reply. Many pensioners and those approaching pension age in my constituency of Selby and Ainsty will welcome his words, but will he tell me what will be the impact in future years of the link to earnings in respect of the basic state pension?

Mr Osborne: First, next year, the pension will be linked to the retail prices index number for September—4.6%. That will be a welcome support for pensioners from April. However, I should make the broader point that of course, re-linking pensions and guaranteeing through our commitment that they will go up either in line with earnings or prices, or by 2.5%, is a really substantial boost for pensioners. That reflects the fact that many pensioners have worked hard and saved hard all their lives. I am glad that that was one of the first policy announcements of this coalition Government.

Mrs Grant: What fiscal action will the Chancellor take to assist voluntary sector organisations, which do so much to help our pensioners?

Mr Osborne: The spending review set out a £470 million package of support for the voluntary sector, including an endowment fund and a transition fund. In addition, the big society bank, which will be funded by dormant bank accounts, will provide a new source of finance for the sector. The Government completely understand the incredible role that such organisations play in supporting elderly people in our community, and we want to help them to do so.

Nick de Bois: Many pensioners in my constituency have made representations to me because they are fed up with having to buy annuities at 75. What plans does the Chancellor have to change the flexibility of that policy?

Mr Osborne: We will remove the requirement to purchase an annuity by the age of 75. Draft legislation will be published in December, and we want the new rules in place by 2011, although we have also introduced transitional arrangements to help those who have reached the age of 75 since I made the announcement in the Budget. We think that people who have been responsible enough to save through their working lives are responsible enough to handle their savings in retirement.

Kate Green (Stretford and Urmston) (Lab): Will the Chancellor commit to working closely with the Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb) to introduce the universal, flat-rate, minimum pension for all citizens as quickly as possible?

Mr Osborne: Yes, absolutely. The Treasury is working with the Department for Work and Pensions on potential pension reform that could simplify pensions and provide a boost to pensioners for many years to come.

Tony Lloyd (Manchester Central) (Lab): Pensioners, including many of those on low incomes, spend a disproportionate amount of their income on fuel. The Chancellor made the point about the winter fuel allowance, which was very welcome, but will he make it clear to the gas and electricity suppliers that, when they raise fuel costs above anything justified by wholesale prices, as they always do, the Government will take action, hopefully by threatening them with fiscal measures, including taxing them?

Mr Osborne: I agree with part of what the hon. Gentleman said. It is important that the utility companies—the gas companies—are as quick to pass on to their customers the cuts in the wholesale price of

gas as they seem to be in passing on increases. We are looking at the whole electricity market—because, of course, many pensioners receive their heating through electricity—and considering what we can do to better insulate people from price fluctuations that can cause havoc to family budgets.

Child Trust Funds

3. **Bill Esterson** (Sefton Central) (Lab): How many child trust funds have been set up in respect of looked-after children since such funds were introduced. [23965]

The Economic Secretary to the Treasury (Justine Greening): Local authorities report to Her Majesty's Revenue and Customs all children coming into their care, and if a child does not already have a child trust fund, one is opened for them. Between April 2005 and April 2009, HMRC opened child trust fund accounts for 16,676 children.

Bill Esterson: Does the Minister agree that improving the life chances of all looked-after children should be an absolute priority for the Government, and will she consider supporting the amendments tabled to the Savings Accounts and Health in Pregnancy Grant Bill that address the issue of child trust funds for looked-after children?

Justine Greening: As the hon. Gentleman is aware, we are taking legislation through the House to get rid of the child trust funds. We think it is vital to support looked-after children, but the question is how best to do that while also tackling our fiscal deficit. We have come to the conclusion that what looked-after children need is support today, and that is what we will provide. Over the spending review period, £7 billion will go to supporting the most disadvantaged children in our country, including looked-after children. He will be aware that in the Department for Education, Eileen Munro is leading an inquiry into how social care can work better, including the support of looked-after children, and finally he will be aware that my hon. Friend the Financial Secretary will be considering proposals to bring forward a junior individual savings account, from which we will specifically ensure that looked-after children can benefit.

George Freeman (Mid Norfolk) (Con): Does the Minister agree that it is appallingly disingenuous of Labour Members to posture as the friends of child savings, having left every man, woman and child in this country with debts of more than £22,000 each?

Mr Speaker: Order. The Minister, who is a dexterous Minister, will relate her answer to the policy of the Government, not that of the Opposition.

Justine Greening: I think it is a shame. The best thing we can do for all our children, including looked-after children, is to build a stronger country in which they can grow up and enter the workplace. I am afraid that it simply is not good enough to duck the serious questions of the day, which include sorting out not only our economy, but our broken welfare system, which does those looked-after children no service either.

Mr David Hanson (Delyn) (Lab): Will the Minister take time to remind the House of the Government's manifesto commitment in the May general election to retain the child trust fund for the poorest third of children in society? Does she accept that looked-after children predominantly will fall into that poorest third? Will she therefore consider the amendments to the Savings Accounts and Health in Pregnancy Grant Bill so that she can meet her manifesto commitments, or will it be a case, again, of hitting the poorest hardest?

Justine Greening: I do not accept that we did not follow our manifesto commitment. The House had another difficult debate on Second Reading of the Bill, and yet again the Labour party seemed to want simply to ignore the challenges that our country faces. In doing so, it does the public a disservice.

Tax Evasion and Avoidance

5. **Mr David Ward** (Bradford East) (LD): What the evidential basis is for his Department's estimate of the additional tax revenue to accrue by 2014-15 from expenditure on measures to address tax evasion and avoidance, and fraud and debt. [23967]

The Exchequer Secretary to the Treasury (Mr David Gauke): Her Majesty's Revenue and Customs routinely measures and monitors various performance matrix, including yield-to-cost ratios and a number of statistical models. These were used as part of the spending review process to estimate the effect of investing resource to support its compliance strategy. On the basis of this analysis, HMRC estimates that the additional expenditure of £900 million over the spending review period will result in an extra £7 billion of yield per year by 2014-15.

Mr Ward: I thank the Minister for his answer. I guess that Members from both sides of the House would welcome the £900 million sprat that is being used to catch a £7 billion mackerel. However, I understand that the £42 billion gap caused by avoidance, evasion and fraud still exists. Are the Government doing enough, and do we need to do more?

Mr Gauke: The hon. Gentleman is absolutely right to highlight that issue. We think that the number is very high and that it is possible to find savings in HMRC's budget. However, there have been specific proposals for where HMRC has identified that it could recover large levels of yield, and this Government have been happy to provide the funding to do that.

Kerry McCarthy (Bristol East) (Lab): I am sure that the Government will be aware of the growing public outrage at the fact that a company such as Vodafone seems to have been able more or less to decide the size of its own tax bill, and, in doing so, is rumoured to have avoided a sum as high as £6 billion. Do the Government agree that we need far more transparency and accountability when it comes to such backroom deals with large companies, or are we now entering a world where only the little people pay their taxes?

Mr Gauke: This Government are determined to crack down on tax evasion and tax avoidance, but the Vodafone deal was a matter for HMRC, and it is right that the

Government are not involved in such negotiations. I hope that the hon. Lady will not be aligning herself with those involved in campaigns to close down Vodafone shops. The fact is that companies should pay the correct amount of tax, but she should not believe everything she reads.

Mr David Ruffley (Bury St Edmunds) (Con): Tax avoidance and tax evasion would be less prevalent if we had a simpler and fairer tax system. I wonder whether my hon. Friend would consider following the policy of the noble Lord Lawson, which was to abolish complicated tax breaks in order to finance lower marginal rates.

Mr Gauke: My hon. Friend makes an excellent point. As a Government, we are cutting the rate of corporation tax, from 28% to 24%, which is the lowest rate that we have ever had in this country.

Credit Rating Agencies

8. **Mr Chuka Umunna** (Streatham) (Lab): What steps he is taking to review the regulation of credit rating agencies. [23971]

The Financial Secretary to the Treasury (Mr Mark Hoban): The coalition Government support greater regulation of credit rating agencies. The credit rating agency regulation came into force in the EU, including in the UK, on 7 December 2009. The UK authorities continue to be active in both the EU and G20 processes, including in negotiations on amending the credit rating agency regulation and in examining ways to reduce our reliance on credit ratings for regulatory and official purposes.

Mr Umunna: These obviously follow on from the proposals of Jacques de Larosière. One problem that has been identified with the rating agencies is the conflict of interest issue. I think that we should move to a "buyer pays" model. The other issue is a lack of competition in the credit ratings market. Michel Barnier, the EU Commissioner, has floated the idea of having an EU credit rating agency, which I think is a thoroughly good idea. Does the Minister agree?

Mr Hoban: Of course there are areas where more work needs to be done, and the hon. Gentleman is right that Michel Barnier has made further proposals, in a consultation paper that he published earlier this year. They included looking at the business models for credit rating agencies. However, I question whether taxpayers in Europe would feel it right that their money should be going to fund credit rating agencies.

Andrew Bridgen (North West Leicestershire) (Con): Is it not a cause for cautious optimism that agencies such as Fitch, Moody's and Standard & Poor's have now given the UK such an excellent credit rating?

Mr Hoban: My hon. Friend is absolutely right, and it just goes to show that credit rating agencies do not get it wrong all the time. In May, Standard & Poor's put the UK's credit rating on a "negative outlook", as a consequence of the previous Government's policies. However, in October it said that

"the coalition parties have shown a high degree of cohesion in putting the U.K.'s public finances onto what we view to be a more sustainable footing."

We welcome those comments.

Comprehensive Spending Review

9. **Philip Davies** (Shipley) (Con): What recent assessment he has made of the effectiveness of the outcome of the comprehensive spending review in reducing the budget deficit. [23972]

The Chief Secretary to the Treasury (Danny Alexander): The Office for Budget Responsibility will update its forecast of the deficit on 29 November, taking into account the spending review. Other assessments have backed the Government's plans, with the International Monetary Fund, for example, stating that our consolidation plan

"greatly reduces the risk of a costly loss of confidence in fiscal sustainability and will help rebalance the economy".

That backs our view that the spending review was fair and supports growth.

Philip Davies: One of the big winners from the comprehensive spending review was, of course, the European Union. The EU has not had its accounts signed off by auditors for 16 years running, so if the Government are looking for a popular way to reduce the deficit, may I suggest that they go to the EU and say that it will not get another penny-piece out of the UK until it has had its accounts signed off?

Danny Alexander: Of course, the European Court of Auditors report, which fails to qualify the accounts for the 16th year in succession, is disappointing, as my hon. Friend observes. We will continue to champion reform through engagement with European institutions and other member states. It is worth him bearing in mind that the Government's most important priority for the forthcoming budget negotiations is to reduce and to keep under control the EU budget, not just next year, but in subsequent years, in recognition of the fact that many EU countries are facing tough financial circumstances, as we are.

Ms Angela Eagle (Wallasey) (Lab): The Chancellor's reckless choice to cut deep and fast at home means that UK jobs and growth are now reliant on achieving booming exports on a scale not seen for more than 60 years. We know that Europe is our single largest export market. Will the Minister share with the House the latest evidence of the growth of demand in that market?

Danny Alexander: There is evidence of export growth in many sectors of the economy, and the Government have played a significant role in promoting exports, as the recent trade delegation to China showed. The hon. Lady has a poor record of predicting the economy. In April 2008, she was engaged in a debate that observed that there was an extreme bubble in the housing market. She described that as a "colourful and lurid fiction" that

"has no bearing on the macro-economic reality."—[*Official Report*, 2 April 2008; Vol. 474, c. 825.]

I would rather take the forecast of the Office for Budget Responsibility than hers.

Mr Andrew Tyrie (Chichester) (Con): The CSR is virtually silent on privatisation's contribution to reducing the deficit. Will the Chief Secretary confirm that those receipts, which normally score in the accounts as negative spending, as he knows, will, when they come, be additional to and not a substitute for the spending reductions already announced in the CSR?

Danny Alexander: I can confirm that.

Mr Andrew Love (Edmonton) (Lab/Co-op): The Chartered Institute of Personnel and Development has revised upwards its forecast of the number of jobs lost in the public sector. It also suggests that the VAT increase will raise unemployment in the private sector. Reputable forecasting organisations, including the CBI, suggest that there will be an increase in unemployment overall in the next year. Does the Chief Secretary now accept that unemployment will increase as a result of the CSR, and is that why the Government have bumped off the autumn forecast of the OBR to the end of this month?

Danny Alexander: I am content to rely on the forecast of the independent Office for Budget Responsibility, which forecasts a reduction of 490,000 over the next four years in the head count in the public sector, but a net increase of jobs in the private sector of 1.6 million, leading to additional jobs being created in the economy. Of course, the hon. Gentleman will look forward, as I do, to its forecast on 29 November.

Bank Lending (Businesses)

10. **Mr Brian Binley** (Northampton South) (Con): What recent steps he has taken to increase levels of bank lending to small and medium-sized businesses. [23973]

The Chancellor of the Exchequer (Mr George Osborne): The Government have increased and extended the enterprise finance guarantee to support lending to small businesses. We have increased our share of the enterprise capital fund to enable extra investment in start up for small businesses, and we have encouraged the new business growth fund set up by the banks. But more needs to be done to ensure that the banks are lending to small and medium-sized businesses. It is a complex issue with no single answer, but it is crucial to our recovery, and my hon. Friend has my assurance that this is a key priority.

Mr Binley: I thank the Chancellor for that answer. Lionverge, a Northampton company employing 80 people, had an overdraft with Barclays of £70,000, backed by security of £130,000. A new manager was recently appointed, and in August he wrote to the company doubling the security, and cutting the overdraft by £20,000 with further cuts of £10,000 a month to end the facility. The company had not defaulted, no warning was given, and no other options were offered. What can the Chancellor do to stop such unacceptable bank practices that undermine the Government's growth strategy?

Mr Osborne: I recently met the leading chief executives of our largest banks, and they have come forward with proposals to improve the way they treat their customers, and to increase their lending to small businesses. We welcome the fund that they have set up. As I said, there is still more to do. The issue is complex, and one complexity has been the uncertainty of international regulation and how much capital and liquidity banks need. At the G20 that took place recently in South Korea, there was at last agreement on the new international rules, and a very lengthy transition period to them. I hope that British banks will take heed of that, and as a result, be able to increase their lending to small businesses.

Chris Leslie (Nottingham East) (Lab/Co-op): Why is the Chancellor so afraid to make the banks play their full part in picking up the mess that they created? He has refused to do anything about the excessive bonuses, and we read in the paper that he is about to U-turn on the publication of remuneration. We also read that he is climbing down on the bank levy and, in his answer to the hon. Member for Northampton South (Mr Binley), he is now suggesting that it is too complex to make the banks lend to small businesses. The Government are not afraid to hit children and families with cutbacks, but if we are all in this together, why is the Chancellor letting the banks off the hook?

Mr Osborne: One does wonder where the hon. Gentleman has been for the past couple of years. We are picking up the pieces of the biggest banking crash of our lifetimes, caused by the poor regulation of the previous Government. Since coming to office, we have announced major changes in regulation, putting the Bank of England in charge—which we still do not know whether the Opposition support—and a permanent bank levy, which was opposed by every single Labour Member during the general election. We are determined to sort out the problems left to us by the previous Government.

John Thurso (Caithness, Sutherland and Easter Ross) (LD): The enterprise finance guarantee scheme was specifically designed to help small businesses to get bank finance. It has not worked, and many companies feel that it has not assisted them. What is my right hon. Friend doing to ensure that the scheme plays a full part in helping companies to get finance?

Mr Osborne: The first thing that I would say to my hon. Friend is that, of all the schemes that we inherited, this was the one that we thought had the most chance of improvement and was worth investing in. The other schemes had almost no take-up, but this one did. We were able to provide some additional money for it in the Budget, in the form of £200 million to support additional lending. We are also introducing changes to the way the schemes work, so that there will be a limit of 20 business days that all major lenders taking part in the enterprise finance guarantee scheme will have to comply with, so that people are not left on the hook waiting for an answer.

Personal Saving

11. **Stephen Mosley** (City of Chester) (Con): What steps he has taken to encourage saving since the June 2010 Budget; and if he will make a statement. [23974]

The Financial Secretary to the Treasury (Mr Mark Hoban): The Government want to build a savings culture based on the principles of freedom, fairness and

responsibility, and we are committed to creating conditions for higher saving. We have already announced a number of measures, including the annual financial health check and an end to the effective requirement to purchase an annuity with tax relief pension savings at the age of 75. We will also increase the amount that can be paid into ISAs each year in line with inflation from April 2011.

Stephen Mosley: Recent research from *Which?* has highlighted the fact that savers are missing out on £12 billion a year by keeping their money in accounts that pay extremely low rates of interest. Would my hon. Friend consider encouraging banks to print the interest rate on bank statements in the same way that credit card companies have to print the rate that they charge on their statements, in order to help savers to identify whether they are getting a good deal from their bank account?

Mr Hoban: My hon. Friend makes an important point. We need to ensure that savers have the information that they need to enable them to shop around and find the best possible deal. ISA providers have already agreed to disclose interest rates on their statements, and the Financial Services Authority is consulting on extending that duty to other savings accounts.

Stewart Hosie (Dundee East) (SNP): The Minister will be aware that the savings ratio is forecast to fall in every single year until 2015. Does this not make the decision to abolish the child trust fund—a savings plan with a 74% voluntary take-up rate—all the more short-sighted?

Mr Hoban: The problem with the child trust fund is that there was no evidence to demonstrate that it increased savings across the economy. We are faced with a difficult decision: we need to find savings to tackle the budget deficit that we inherited, and we believe that the best thing to do is to give help to families now rather than locking that money away until the children are 18.

Private Sector Growth Trends

12. **Julian Smith** (Skipton and Ripon) (Con): What assessment he has made of the effect on the economy of recent trends in growth in the private sector. [23975]

The Economic Secretary to the Treasury (Justine Greening): This Government have been determined to show that Britain is back open for business, and gross domestic product growth has been strong over the past two quarters. That growth has been driven largely by the private sector. The Office for Budget Responsibility, which this Government established, is responsible for producing independent economic and fiscal forecasts, and the Chancellor has asked the OBR to publish a new forecast on 29 November. That forecast will incorporate the OBR's assessment of the effect on the economy of recent trends of growth in the private sector.

Julian Smith: Does my hon. Friend agree that the hundreds and thousands of new jobs that have been created by the private sector in recent months make the outlook pretty positive? What encouragement would she give to budding young entrepreneurs in Yorkshire in existing businesses who are thinking of taking on a new employee?

Justine Greening: My hon. Friend is right. In quarter two alone, private sector employment grew by 308,000. I believe that many people in the country want not just to take jobs, but to create them. I would encourage them to get on with it, and to pursue their dreams and aspirations. They will have a Government behind them who are giving them a national insurance holiday for the jobs that they will create, and who are determined to support them by keeping corporation tax rates low when they are successful.

Geraint Davies (Swansea West) (Lab/Co-op): Given that Government plans to cut half a million public sector jobs are expected to lead to the cutting of a further 1 million private sector jobs, does the Minister accept that it would be more effective to reduce the deficit in three ways—through progressive taxation, through economic growth and through savings—than simply to throw millions of people on to the dole and whole communities into poverty?

Justine Greening: The hon. Gentleman seems to have managed to get from a reduction of half a million in the public sector head count to millions on the dole. The number that he cited is in the independent report from the Office for Budget Responsibility, which was published after our emergency Budget. Although the report showed that there would be a reduction in the public sector head count of about 490,000, it also showed—and I assume that the hon. Gentleman accepts all of it—that there would be an increase in employment of 1.6 million, and that, year on year, there would be reductions in unemployment and increases in employment. If he accepts the figure of half a million, does he also accept those figures?

Margot James (Stourbridge) (Con): I congratulate the Government on extending the enterprise finance guarantee scheme, but I note that it is closed to companies that export because of our over-zealous application of European Union state aid rules. Can my hon. Friend update the House on any plans that the Government have to overcome that obstacle to the achievement of our exporters' growth potential?

Justine Greening: We are examining ways in which we can help our UK companies to export more easily. The Prime Minister and the Chancellor have already led delegations to two key markets, China and India, where we hope that we can export more. That is critical if we are to put our economy back on its feet and it stands alongside the measures that we are taking to support companies creating jobs here, and the measures that we are taking to encourage investment in our country.

HMRC Tax Inquiry Services

13. **Katy Clark** (North Ayrshire and Arran) (Lab): What assessment has been made of the likely effects on Her Majesty's Revenue and Customs' tax inquiry services for the public of the outcome of the comprehensive spending review. [23976]

The Exchequer Secretary to the Treasury (Mr David Gauke): Her Majesty's Revenue and Customs is currently reviewing options for delivery of the tax inquiry services that it provides through its network of inquiry centres, contact centres and online services over the next spending review period. HMRC is committed to providing services that are cost-effective and also meet the needs of its customers.

Katy Clark: We have already seen a reduction of 25,000 staff and 200 collection offices, which must result in a worse service to the public. We are also seeing cuts in the amount of money spent on dealing with tax avoidance and evasion. The Minister's colleague mentioned an extra £900 million, but we have been told that that is not additional money, and that less money is actually being spent on dealing with tax collection. Is it not time that we prioritised not only giving a better service, but collecting more tax?

Mr Gauke: That money is new investment to tackle tax avoidance and evasion. It is specific, targeted funding. As for the service that is provided, it is right for HMRC's service to adapt to the way in which customers change their behaviour. We have seen a 40% reduction in the number of people using inquiry centres over the last four years, and HMRC should of course adapt to that.

Andrea Leadsom (South Northamptonshire) (Con): Recent press reports have suggested that there are many so-called zombie households in the United Kingdom, in which families have got themselves into so much debt that they rely on interest rates remaining low to stay afloat. Does my hon. Friend agree that our policies to keep interest rates low, and to enable the Bank of England and the Monetary Policy Committee to keep them low, are key as we go through a critical period in our recession?

Mr Speaker: A sentence from the Minister in reply will suffice, as the question is about tax inquiry services. We are grateful to him.

Mr Gauke: Let me put it this way: we would have a lot more inquiries if taxes were going up, which is the policy the Opposition advocate.

EU Budgetary Rebate

14. **Mr Peter Bone** (Wellingborough) (Con): What assessment he has made of the effects on his Department's ability to reduce the deficit of the reduction in the UK's EU budgetary rebate; and if he will make a statement. [23977]

The Economic Secretary to the Treasury (Justine Greening): The latest forecast of the UK contribution to the EU budget shows that the UK abatement will decline from £5.6 billion in financial year 2008-09 to £2.8 billion in financial year 2010-11. The Office for Budget Responsibility will publish new projections of the UK contribution to the EU budget, including the abatement, in its autumn forecast.

Mr Bone: Under the previous Labour Government our total net contribution to the EU was £19.8 billion; under the coalition Government it will be £41 billion. Will the British people not think it bizarre, bewildering and a betrayal that over half the money saved by cuts will go not to reduce the deficit, but to subsidise other western European countries?

Justine Greening: My hon. Friend is right that alongside the domestic economic mess we inherited, we also inherited an EU budget deal that was completely out of touch with the situation faced by many European countries. The fall in our abatement is largely due to the give-away agreed by the previous Government in 2005, which will be fully phased in from 2011. It is expected to cost the UK about £2 billion per annum. That is £2 billion that was needlessly given away for absolutely nothing in return—yet another failing of the British people by the Labour party.

Child Benefit

15. **Nic Dakin** (Scunthorpe) (Lab): What mechanism he plans to use to ensure that households which include one or more higher rate taxpayer cease to receive child benefit payments. [23978]

The Exchequer Secretary to the Treasury (Mr David Gauke): From January 2013 Her Majesty's Revenue and Customs will withdraw child benefit from higher rate taxpayers using PAYE and self-assessment systems. The vast majority of claimants will continue to receive child benefit, and will not be affected by this change.

Nic Dakin: Earlier this year, the Prime Minister said he wanted this Government to be the most family-friendly Government we have ever had in this country. How does this proposal support a family where one partner stays at home to look after the children while the other partner earns over £45,000 a year?

Mr Gauke: It does families and everyone else in this country no good if we do not get to grips with the fiscal crisis. If the Opposition are saying households paying higher rate income tax should continue to receive child benefit while those who do not earn so much contribute towards that, it once again shows that they are not getting to grips with the scale of the crisis.

Richard Graham (Gloucester) (Con): Does the Minister agree that the logic of the policy outlined by Opposition Members is that any child from Prince William and Catherine Middleton would benefit from child tax benefit, whereas the poorest of my constituents would not?

Mr Speaker: Members really should not refer to members of the royal family in questions. That is strongly to be deprecated, and it certainly should not happen again. I ask the Minister to give a very brief reply.

Mr Gauke: My hon. Friend is perhaps getting a little ahead of himself. I think all we should say is that should that happy eventuality occur, I am sure he or she will get by without child benefit.

Redundancy and Retraining Costs

16. **Diana Johnson** (Kingston upon Hull North) (Lab): What estimate he has made of the cost to the Exchequer of redundancy and retraining requirements

arising from implementation of proposals contained in the comprehensive spending review. [23979]

The Chief Secretary to the Treasury (Danny Alexander): The total cost of work force reforms will depend on the decisions of hundreds, if not thousands, of employers up and down the country. Detailed decisions regarding the number of redundancies and the associated costs that may be required have yet to be finalised in most cases, so it would not be appropriate for the Treasury to speculate on any aggregate numbers at this stage.

Diana Johnson: In the police service alone, major job losses are already being announced, such as in the west midlands, Greater Manchester and Lincolnshire, so not only will there be up-front redundancy costs, but there will be the loss of skills and experience. Does the Chief Secretary agree that the cost of redundancies could be as high as £8 billion?

Danny Alexander: I have to say that that sounds like rather an overestimate, but the hon. Lady is right to say that employers are spelling out their own plans for redundancies and for managing their work force in an appropriate way. I recognise that many staff will be very concerned about that, but I believe that it is right that they hear about specific plans from their own management, rather than draw conclusions from higher level aggregate numbers.

Government Deficits

17. **Glyn Davies** (Montgomeryshire) (Con): What recent discussions he has had with his international counterparts on the co-ordination of efforts to reduce Government deficits. [23980]

The Economic Secretary to the Treasury (Justine Greening): The UK has been actively engaged in G20 discussions. The Prime Minister and the Chancellor attended the G20 summit on 11 and 12 November, which delivered the Seoul action plan and pledged to continue co-ordinated efforts to generate strong, sustainable and balanced growth. In this action plan, the advanced economies committed to

"formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans in line with the Toronto commitment, differentiated according"—

of course—

"to national circumstances."

Glyn Davies: Bearing in mind reports of continuing threats to some of our EU partners, does the Minister agree that the International Monetary Fund's recent growth forecasts underline the need for an ambitious and credible strategy for dealing with the budget deficit?

Justine Greening: My hon. Friend is right about that. The IMF clearly supported the efforts that the coalition Government have been making both in the emergency Budget and the spending review to get to grips with the terrible fiscal deficit handed over by the previous Government. The OECD also welcomed the balance that we struck in the spending review between not only protecting growth, but tackling debt.

David Simpson (Upper Bann) (DUP): Can the Minister confirm that the international counterparts discussed the subject of the Republic of Ireland, its deficit and the possible EU bail-out for it? Will that cost the United Kingdom money?

Justine Greening: At this stage, we cannot speculate about other countries' finances. Obviously, the Irish are taking very difficult decisions and actions to try to get the situation under control. I do not think that we should pre-empt actions that Ireland or any other country takes and the impact that such actions may ultimately have on the UK taxpayer.

Topical Questions

T1. [23938] **Mrs Mary Glindon** (North Tyneside) (Lab): If he will make a statement on his departmental responsibilities.

The Chancellor of the Exchequer (Mr George Osborne): The purpose of the Treasury is to ensure economic stability, restore sanity to the public finances, ensure employment growth, make sure our banking system is properly regulated and get this country back on its feet.

Mrs Glindon: During the past five years, North Tyneside council has made year-on-year transformation savings without affecting front-line posts, but I fear that because of the comprehensive spending review, front-line jobs will now be lost. What message, other than fictitiously blaming the previous Labour Government for what has been a global recession, does the Chancellor have for North Tyneside?

Mr Osborne: First, the Government have given all councils, including North Tyneside, greater freedom about how to spend their resources by removing a lot of ring-fencing. Secondly, of course, as I said in the spending statement, this was a difficult local government settlement—I completely accept that. But even the Labour party was signed up to £44 billion of spending cuts. If Labour Members are telling us that those would not have included local government, that is not really credible. We have had to take difficult decisions and we should be supported for that.

T2. [23989] **Claire Perry** (Devizes) (Con): The Chancellor is heading to an ECOFIN meeting tomorrow and I hope he will continue to press our colleagues in the European Union for some restoration of fiscal sanity in their economic policies. The flag that will be fluttering so merrily over the proceedings will be the blue and yellow one—those are colours that we rather enjoy. Does he agree that unless we see some return to fiscal sanity and some abandonment of the policy of fiscal recklessness, perhaps the colour of the flag should be changed from blue and yellow to brown?

Mr Osborne: Of course we are urging fiscal restraint on the European Union. I should pay tribute to my colleague, the Economic Secretary, who has been out to Brussels twice in the past few days to argue vigorously for restraint in the European Union budget with considerable success. One of the problems we are dealing

with is that the previous Government gave up half the rebate and that is one of the reasons why the budget is increasing.

T5. [23993] **Diana Johnson** (Kingston upon Hull North) (Lab): The unemployment rate in my constituency was 10.7% in September. After the announcement in the comprehensive spending review of the slashing of jobs, services and skills, what does the Chancellor think will be the unemployment rate in my constituency in 12 months' time?

Mr Osborne: The whole point is that we have given these forecasts to an independent body, rather than just relying on the forecasts given by the Chancellor of the Exchequer at this Dispatch Box, so that people can believe in their independence and credibility. The Office for Budget Responsibility will produce its autumn forecast on 29 November. But of course the OBR figure that all Labour Members seem to use is the one for the public sector head count, but they seem to forget that this same body made a forecast of an increase in net employment, which sadly they never use.

Mr Speaker: David Tredinnick, not here.

Mr Marcus Jones (Nuneaton) (Con): What steps can the Chancellor take to ensure that the Financial Services Authority's mortgage market review proposals do not have a disproportionate effect on home buyers and the housing market, particularly at a time when we are trying to encourage growth through the private sector?

The Financial Secretary to the Treasury (Mr Mark Hoban): My hon. Friend makes an important point and the FSA's mortgage market review is seeking to learn some of the lessons from how the mortgage market was regulated before the financial crisis and some of the problems that that regulation created. What I think is important is that the FSA should consider very carefully the impact on home ownership and particularly on those people who are looking to move shortly.

T8. [23997] **Mr Michael McCann** (East Kilbride, Strathaven and Lesmahagow) (Lab): May I give those on the Treasury Front Bench the opportunity to answer the question on child benefit that they failed to answer earlier? How do they justify taking child benefit off a single-earning family on £45,000 and allowing a family that earns £80,000 to retain child benefit? An answer this time would be appreciated.

The Chief Secretary to the Treasury (Danny Alexander): As the hon. Gentleman knows—and as the whole House knows—the justification for the measure that we took was to ensure that the cost of the spending review fell equally across the population so that those with the broadest shoulders would bear a greater share of the burden. In those circumstances, it is right that child benefit should be taken away from families with higher rate taxpayers. I would have thought that the Opposition would support that, not oppose it.

T4. [23992] **Mrs Helen Grant** (Maidstone and The Weald) (Con): What fiscal action will be taken to increase social mobility and to stimulate it in our country?

Danny Alexander: In the spending review, we took a number of spending decisions that will support social mobility. We chose to invest in early-years education for disadvantaged two-year-olds—a new investment—and to maintain the 15-hours entitlement for three and four-year-olds, something that was introduced under this Government. We chose to invest in a pupil premium that will give additional support to the most disadvantaged children. In tough financial times, that is the strongest investment in social mobility made by any Government in this country for many a long year.

Stephen Timms (East Ham) (Lab): The White Paper last week stated that HMRC will be taking on new responsibilities in collecting and processing real-time pay data for the calculation of universal credit. How much has been allocated for the IT to deliver that change?

The Exchequer Secretary to the Treasury (Mr David Gauke): The response to the consultation on real-time information—the next stage of it—will be published shortly. We will outline the details in that, but additional sums have been identified as part of the spending review process to pay for the real-time information project.

T6. [23994] **Mr Aidan Burley** (Cannock Chase) (Con): More than 20% of my constituents in Cannock Chase are employed by manufacturing centred small businesses. Will the Chancellor assure them that the small business tax review will simplify and reduce taxes for small businesses rather than complicate and increase them?

Mr Osborne: Yes, I can give that assurance. I also note that the actions that the Government have taken have kept the small companies rate down, avoiding the rise in the rate that we inherited.

Miss Anne Begg (Aberdeen South) (Lab): The comprehensive spending review contained a proposal to cut the mobility element of the disability living allowance for those in residential care. Why did the Government make that decision—because it was fair or to reduce the fiscal deficit?

Mr Osborne: In the spending review we took a number of difficult decisions, including decisions on welfare. We sought to identify the savings that we thought were most justified. As far as I understand it—although I am happy to be corrected—the DLA changes have been supported by the Opposition.

T7. [23996] **Mark Menzies** (Fylde) (Con): Fiscal discipline is, if anything, more essential in opposition than in government. Will the Chancellor tell us whether he has received any support or advice from the Opposition on how to achieve that fiscal discipline?

Mr Osborne: I am told that they have plans to cut £44 billion from public expenditure, but they have not told me what those plans are.

Hywel Williams (Arfon) (PC): What is the economic case for HMRC's sacking professional tax collectors and hiring novice private sector debt collectors to collect liabilities of tax below £10,000?

Mr Gauke: The intention is to strengthen HMRC's capability to collect taxes. If that involves making use of private sector expertise to collect additional debt, which is the intention, that is surely a good thing that should be welcomed by all parties.

Mr John Redwood (Wokingham) (Con): Given that the Irish Government have said that they neither want nor need a bail-out, will the Chancellor support them at ECOFIN and put off those people in the EU who seem to want to make a crisis out of a problem?

Mr Osborne: There is an enormous amount of speculation about Ireland at the moment to which I do not propose to add. The Irish Government have said clearly that they have not sought assistance and that they are taking difficult steps to deal with their fiscal situation. They will make further announcements about their Budget situation in the next few weeks. I make the general observation that what is going on at the moment highlights the fact that concerns about sovereign debt issues have not disappeared and we should be grateful that, thanks to the actions of this Government, we have moved Britain out of the financial danger zone.

Mr Russell Brown (Dumfries and Galloway) (Lab): What does the Chancellor say to fixed-income pensioner households in my constituency and his who will be faced with the additional VAT burden in just over 50 days?

Mr Osborne: I would say to them what I would say to everyone in this country: that we inherited the largest fiscal—*[Interruption.]* Well, I do not know how many times Opposition Members have to hear this but it is the truth. They left us the largest Budget deficit in the G20 and the European Union at a time of heightened sovereign debt concern. They can either be part of the debate that the rest of world is taking part in on how to deal with the deficits or they can completely ignore that debate and become irrelevant.

Alec Shelbrooke (Elmet and Rothwell) (Con): Does the Chancellor agree that he should ignore the advice of the Opposition on all matters fiscal relating to the European Union, because it is still their policy to join the euro and because their MEPs voted to double our contribution this year?

Mr Osborne: As you will remind me, Mr Speaker, I cannot speak for the policy of the Opposition or say whether they have changed their official position which is to support joining the euro, but I make it clear to my hon. Friends and others that we certainly will not join the euro while this Chancellor and this Prime Minister are in place.

John Cryer (Leyton and Wanstead) (Lab): It was this Chancellor who agreed a 2.9% increase in contributions to the EU and to cede certain powers to Brussels—that is in the papers he signed—so has he not joined that glorious list of British politicians who go to Brussels, lose their wallets and their trousers and then come back and tell us what a great deal they have got?

Mr Osborne: I think that the hon. Gentleman is thinking of Tony Blair rather than of this Government. We voted against the increase in the European budget, but we were outvoted because it was a qualified majority vote. We are dealing with the fact that the previous Government gave up half the budget rebate, which is why British contributions are going up, and we are very clear that, although we want fiscal rectitude across Europe, we do not propose to hand over substantive new powers to the European Union.

Stephen Williams (Bristol West) (LD): There is much support around the country and in the House for the broad principles of the Robin Hood tax campaign. The coalition Government have made a good start with the permanent bank levy. Will the Chancellor confirm that he expects the Independent Commission on Banking to consider the taxation of bankers' bonuses and bank profits so that the banks pay their fair share in this country?

Mr Osborne: The commission that we have set up is looking principally at the structure of the banking sector, which is another very important issue. We have said that we want the banks to make a contribution, which is why we introduced the permanent banking levy; we did not agree with the previous Government that that should not happen. We followed the best practice set out by the International Monetary Fund, which outlined two taxes that could be pursued—one was a bank levy and the other was a financial activities tax, which we also said that we would consider in the Budget. On the broader point of the Robin Hood tax, or the financial transactions tax, which is sometimes discussed at ECOFIN, I think that everyone accepts that it would have to be introduced internationally or else it would be almost impossible to collect any revenue.

Mr Speaker: I think we have got the drift.

Jim McGovern (Dundee West) (Lab): Can the Chancellor or another Minister tell us what assessment has been made regarding potential job losses due to changes in the benefit system? Much concern has been expressed in my constituency, particularly yesterday in the local press, that up to 700 jobs might be lost in the HMRC office in Dundee as a result of such changes. What assurances can Ministers give me and my constituents that that will not be allowed to happen?

Danny Alexander: The welfare reforms that we are proposing are designed to support people off benefit and into work. That is the whole point of the reforms that the Secretary of State for Work and Pensions outlined last week. The reforms that will create a universal credit and some of the changes that we announced in the spending review are all there to help people off benefit and into work, and to help people get jobs, which is what the hon. Gentleman should support.

Penny Mordaunt (Portsmouth North) (Con): Can the Chancellor confirm that, unlike the shadow Chancellor, he is not an instinctive cutter?

Mr Osborne: I did see that rather remarkable comment from the shadow Chancellor over the weekend. We are doing what we are doing because we have to—because of the size of the Budget deficit.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): The Federation of Small Businesses North East and the insolvency trade body R3 have wound up one in 10 businesses that were unprepared for the 2.5% increase in VAT next year. Kingston university also recently showed that small businesses in the north-east intend to shed staff. Is not VAT the real jobs tax?

Mr Osborne: As I say, we are doing that because we need to deal with the Budget deficit. I thought it was the policy of the hon. Gentleman's party that a greater share of the consolidation should be borne by tax rises; I thought that that was now the official policy. It is also clear that the previous Government were planning a VAT rise. Businesses have had plenty of notice of the increase that is coming in in January, and I am sure they will be able to cope in the same way as they coped with the VAT rise at the beginning of this January.

Bob Blackman (Harrow East) (Con): All of us are all too aware of the record deficit and debt that we inherited from the Opposition. Will my right hon. Friend agree to publish a regular scorecard showing how that deficit and the debt are reducing, so that taxpayers and the public sector can see the benefit of the Government's policies?

Mr Osborne: We have created the independent Office for Budget Responsibility so that the fiscal forecasts for the United Kingdom are no longer produced by the Chancellor of the Exchequer and sometimes influenced by the political judgments of the Chancellor of the Exchequer, but instead are done independently.

Toby Perkins (Chesterfield) (Lab): On child benefit, can the Chief Secretary explain why he believes that families earning £45,000 have broader shoulders than those earning £80,000?

Danny Alexander: It should be obvious to the hon. Gentleman that higher rate taxpayers have greater means than those at the bottom of the income spectrum. It is a basic principle of fairness that underlies the spending review that we need to ensure that those with the broadest shoulders bear a greater share of the burden. As I said in response to the question earlier, asking higher rate taxpayers not to collect child benefit seems to be one of the decisions in the spending review that the Opposition should find it easiest to support.

Jo Swinson (East Dunbartonshire) (LD): As my right hon. Friend says, it is right that in reducing the deficit, those with the broadest shoulders should bear the greatest burden, but do the Government understand the genuine anger that the public feel when it seems as though wealthy individuals and large companies can get away without paying their tax bills? What reassurance can the Minister give my constituents that the richest in society will pay their fair share?

Mr Osborne: We have taken a number of decisions to make sure that the burden is fairly shared. We have introduced the bank levy, and we are taking child benefit away from higher rate taxpayers, although that is clearly opposed by Labour. We are also seeking to conclude a number of deals with countries that have a reputation for attracting tax avoidance and tax evasion, such as the deal that we are negotiating with Switzerland. That will ensure that there are further revenues coming into the Exchequer from those who can afford it.

Several hon. Members *rose—*

Mr Speaker: Order. We must move on.

Redfern Inquiry

3.33 pm

The Secretary of State for Energy and Climate Change (Chris Huhne): Today I am publishing the report of the Redfern inquiry, which was established in 2007 to investigate the processes and practices surrounding the analysis of human tissue that was carried out in UK nuclear facilities from 1955 to 1992. The inquiry examined the circumstances in which organs or tissue were removed from individuals at NHS or other facilities, and sent to be analysed at nuclear laboratory establishments.

To lose a family member is tragic. To find out—sometimes decades later—that tissue had been taken without consent is an unimaginable distress. That knowledge is a burden that no one should have to bear. There is no time limit on grief; nor is there on apologies. I would like to take this opportunity to express my heartfelt regret, and to apologise to the families and relatives of those involved. I hope that the publication of today's report goes some way toward providing the closure that they deserve. The events described in the inquiry should never have happened in the first place. We have learned the lessons of the past. The law on human tissue has been reviewed, and a rigorous regulatory system is now in place, in which both the public and professionals have confidence.

I would like to thank the chairman of the inquiry, Mr Michael Redfern QC, for conducting the investigation. The inquiry has also benefited from the support of the nuclear industry and other key stakeholders, who have co-operated fully. The inquiry was established to investigate the circumstances in which organs were removed from individuals, and were sent to and analysed at Sellafield. However, as evidence came to light of similar work carried out at other sites and of studies involving non-nuclear workers, Michael Redfern QC was asked to make those additional cases part of his inquiry.

The inquiry was initially sponsored by the Department of Trade and Industry, which at that time had responsibility for energy policy. The Department of Health became a co-sponsor when the terms of reference were expanded to allow the inquiry to access relevant NHS information, and to investigate the part played by hospitals in which the post-mortem examinations had been conducted. Although not a sponsor of the inquiry, the Ministry of Justice also has an interest in the inquiry's findings and recommendations in respect of the coroner's role.

The report highlights unacceptable working practices within the nuclear industry, NHS pathology services and the coronial service, and concludes that families' views were not always obtained as required under the Human Tissue Act 1961. It acknowledges that these events occurred a number of decades ago, and puts them within the context of the times and current practice. Many of the issues raised by the inquiry have since been addressed by changes to the law, including the introduction of the Human Tissue Act 2004.

The inquiry found that organs from 64 former Sellafield workers were removed by pathologists and taken for analysis at Sellafield between 1960 and 1991. In addition, organs taken from 12 workers at other nuclear sites were analysed at, or at the request of, Sellafield, giving a total cohort of 76. The inquiry also found evidence of other individuals whose organs were analysed at Sellafield. The report finds that there was a lack of ethical consideration of the implications of the research work that the industry was doing; that limited supervision was undertaken; and that relationships between pathologists, coroners and the Sellafield medical officers became too close.

The inquiry has found that organs from a small number of former Ministry of Defence employees were removed for analysis. It has been difficult to establish the legality of a minority of these removals. Also, during the 1950s and 1960s the Medical Research Council oversaw research measuring levels of strontium 90 in human bone obtained at post-mortem. It was a national survey, involving more than 6,000 people, mostly children, and was not linked to former nuclear workers.

The inquiry also considered work undertaken by the National Radiological Protection Board. Across its entire remit, the inquiry found that families' views about organ retention were not always sought, and that very few families knew that organs were taken for analysis. Research using human tissue at that time was carried out under different legislation, and within a culture that took a very different approach to these matters than we do today. That is not to diminish the distress and suffering caused to families by the events of the past. However, we have learned from the mistakes of the past, and we now have in place the legislative and regulatory framework that makes consent the fundamental principle underpinning the lawful retention and use of body parts, organs and tissue from the living or the deceased for such purposes.

My right hon. Friend the Secretary of State for Health and I welcome the inquiry's recognition of the changes in the law and the associated regulatory framework relating to the taking, use and storage of human tissue, which have been put in place since the events leading up to the inquiry. Since the Human Tissue Act 2004 came into force, we have seen the development of robust regulation that focuses on compliance through the provision of expert advice and guidance—and where regulatory action is taken if standards are not met.

My right hon. and learned Friend the Secretary of State for Justice has the principal interest in the inquiry's findings relating to the role of coroners. His Department is responsible for coronial law and policy, but as coroners are independent judicial office holders, it does not monitor how they carry out their functions in individual cases unless specific complaints are made. Communication between families, coroners and pathologists was, and still is, vital.

Changes to the 1984 coroners rules, which were introduced alongside the human tissue legislation, are aimed at ensuring that families' wishes about what happens to organs and tissue retained after a post-mortem examination can be properly established and acted upon. My right hon. and learned Friend also intends to take forward several provisions in the Coroners and Justice Act 2009 which address other problems that Mr Redfern identifies and aim to prevent any recurrence of the events that led to the establishment of his inquiry.

Although the Government are not proceeding with the role of a chief coroner, we intend to transfer many of the intended leadership functions of the post to the Lord Chancellor, or possibly to the senior judiciary. There will be higher standards when commissioning post-mortem examinations, and in the way that coroners communicate with bereaved families. There will be more

effective operational delivery, with an end to rigid, geographic boundary restrictions. Training for coroners and their staff will be maintained and improved, and coroners' work will be more transparent so that unacceptable practices can be avoided or challenged and deficiencies can be tackled. We are also considering introducing the new, more accountable system for appointing coroners and their deputies that the 2009 Act enabled.

The inquiry has sought and received assurances from all the key nuclear industry stakeholders that the practice of retaining organs or tissue at autopsy has ceased. I hope that the families of those involved can take some comfort from the knowledge that the practices that the inquiry examined simply would not be permissible today. I commend this statement to the House.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): I thank the Secretary of State and his office for early sight of his statement on this very important matter.

Our first sympathies must be for the families. They have lived through an ordeal and had to relive or, in some cases, discover what happened to their loved ones after death. It cannot have been easy, and their forbearance has been great. I very much welcome the Secretary of State's heartfelt apology. I, like other Members, have had only a short time to look at the report, but it is clear that it is thorough, clearly written and a credit to the hard work of Michael Redfern QC and his team. My hon. Friend the Member for Copeland (Mr Reed) has ably represented many of the families over a long period, and today the families must come first.

The events in question took place some time ago, and it has been challenging to piece together the history. The issues are complex, and Michael Redfern has produced a report that not only explains what happens, but provides reassurance that such practices are no longer used. The events, let us remember, took place in a different era when there was much debate about the safety of the nuclear industry, and the GMB at the time campaigned hard for a compensation scheme for nuclear workers who had been exposed to excess radiation. Today, a compensation scheme is in place.

The report is clear that the law at the time was in place to prevent the removal of human tissue without proper consent from those who had died. Unfortunately, that did not prevent these events from happening. It is an important and salutary reminder to all of us in this House, and elsewhere, that we need to remain vigilant in our scrutiny of professional practice and of the work of scientists. Science is vital to the UK, and we have a worldwide reputation to protect. It is in all our interests to get it right.

I have some questions for the Secretary of State. Is he able to reassure the public that the events outlined in the Redfern inquiry report are historical and are not taking place today? We have the 2004 Act; we now need to be vigilant about it.

The inquiry looked into the issue of removal of organs from 76 people. Is the Secretary of State satisfied that that was the extent of the case? I am sure that he will agree that any families who are concerned should have an easy route to information about their loved ones; perhaps he could explain how they can find out more.

The Secretary of State rightly talks about the new rigorous regulatory system, but it is the Government's intention to abolish the Human Tissue Authority and transfer its functions to other bodies. What guarantee can he give that such important functions will not be lost as a result of the Government's proposed changes?

The Secretary of State is clear that such acts would not be permissible today, as they were not then. It is therefore particularly important that procedures are in place to uncover any practices of this nature in future. Can he further explain what contact the Government have had or are planning to have with the professions concerned, particularly pathologists and coroners, to ensure that robust procedures are in place so that this could not happen again?

This report does not stop the heartache for the families, but it lays out the facts, and I hope that that gives them some comfort.

Chris Huhne: I thank the hon. Lady. I think that this is an issue on which we can all unite, in all parts of the House, in our frank shock at the events that took place, albeit many decades ago in many cases. I am able to give the reassurance that the hon. Lady seeks, and the reassurance to the public, that these events are historical and, as far as we can tell, are not taking place today; they would clearly be illegal. The Redfern inquiry sought assurances from all the key players—and indeed received those assurances—that there was nothing taking place today that would be similar.

In the course of the inquiry, as the report makes clear, it became obvious that the removal of organs from a limited number of people in fact related to only a part of the total. The right hon. Member for Edinburgh South West (Mr Darling), as the then Secretary of State for Trade and Industry, knew about that when the inquiry was commissioned. The inquiry points out that once we take account of other cases, the total is nearly 6,000 across the country. That is a very much greater figure than we thought at the time.

The hon. Lady is right to say that the Human Tissue Authority is to be abolished by the Government and its functions transferred to other bodies. I have spoken with my colleagues from the Department of Health on this point. Those functions will be transferred to other organisations and dealt with by the Department of Health. There will be no question of any relenting on the key functions that were set out for the Human Tissue Authority.

The professions have been engaged in conversations with both the Department of Health and the Ministry of Justice. I am confident that the lessons of the report will be learned and that robust procedures will be put in place to ensure that such questionable practices do not recur.

The hon. Lady asked about current safety levels in the nuclear industry. I can assure her that we have a rigorous safety and inspection regime which is kept under constant review in order to make sure that safety levels are absolutely at the highest.

Mr Alistair Darling (Edinburgh South West) (Lab): I add my thanks to Michael Redfern for his very substantial report, which is far weightier and far more extensive than we anticipated when I commissioned his work three and a half years ago.

[Mr Alistair Darling]

It is difficult to judge what happened over a period of 50 years—of course, standards, ethics and the law have changed very substantially—but does the Secretary of State accept two things? First, many people would acknowledge that there will be occasions when more investigation and research is necessary, but the key thing is that they should be involved in those decisions, they should know about the work, and they should be in a position to give or withhold their consent.

Secondly, although things have changed dramatically in the nuclear industry over the past few years, it does have a history of being less open than it should be. By being more open, it will build more confidence in what it does—an objective in which I believe, and in which I think the Secretary of State now believes as well.

Chris Huhne: I totally agree with both the right hon. Gentleman's points. The key principle introduced in the Human Tissue Act 2004 was consent ahead of time. The legal situation before that allowed researchers to access human tissue without consent if they had made reasonable efforts to obtain it. That was a fundamental change, and I entirely agree that it was important for us as a society to move with the times and reflect the key family sensitivities involved. I also agree entirely with his point about the nuclear industry. Openness is usually the best disinfectant, and transparency is thoroughly desirable.

Mr Jamie Reed (Copeland) (Lab): I am grateful to the right hon. Gentleman for advance sight of his statement, to the shadow Secretary of State for her warm wards and to the former Secretary of State for Trade and Industry, my right hon. Friend the Member for Edinburgh South West (Mr Darling), for instigating the report in the first instance. I declare two interests, as both a former Sellafield worker and the grandson of Thompson Reed, one of the trade union officials mentioned in the report.

I hope that there will now be a dialogue between the affected families and the Government on the subject of restitution. The nuclear industry and Sellafield are extremely popularly supported in my part of the world, not least by me. One telling point in the report is the constant churn and change that the West Cumberland hospital and NHS management structures have experienced, which may have led to less than ideal practices. Will the Secretary of State commit to working with me and those in my community, with a view to seeing how we can fund the hospital outside the routine, ordinary funding systems that exist for other hospitals, given the unique nature of the work undertaken at Sellafield?

Chris Huhne: I am grateful to the hon. Gentleman for his question. As he knows, I am very committed to continued employment in the nuclear industry and the importance of his area to it, and I visited Sellafield shortly after I became Secretary of State. We very much want to maintain that dialogue. I am keen to take up any issues of concern to his constituents and employees in the industry about their health care or anything else. He can rely on my support on that.

The funding streams are obviously an issue for the Department of Health, but I do not think the hon. Gentleman would want us to go down the route of allying particular health funding streams to their causes—that, for instance, road accident matters should be funded by the Department for Transport or that nuclear health streams should be funded by the Department of Energy and Climate Change. However, he can be assured of my support in ensuring that the care available is outstanding.

Caroline Lucas (Brighton, Pavilion) (Green): One of the most disturbing elements is the culture of secrecy that allowed body parts not only to be taken without permission but later to be disposed of as waste in the low-level waste depository at Drigg. Many living relatives will be deeply distressed to think of their loved ones being treated in such a callous way. Does the Secretary of State agree that that culture of secrecy still surrounds the nuclear industry and can be a barrier to proper scrutiny and accountability? What measures will he take to challenge it?

Chris Huhne: The hon. Lady recognises—I hope—that there have been improvements in recent years in the openness of the industry. I believe it understands the importance of public confidence, because it is a very different industry from the one that existed during the decades in which these practices were undertaken. One way of securing and retaining public confidence is to be as open and transparent about practices as possible, and as the Secretary of State responsible for the industry, I am extremely keen that that should be the case. I want the industry's practices—particularly its safety practices, but respect for those who work in the industry too—to be maintained at the highest possible level. If the hon. Lady has particular concerns, I would be very happy to deal with them either in correspondence or in the normal way through parliamentary answers.

Tony Cunningham (Workington) (Lab): Anyone who reads this report will be absolutely horrified, as I am. I dread to think what the families will be feeling at this time; our thoughts and prayers are very much with them as they go through this very difficult period. Is the Secretary of State prepared to meet my hon. Friend the Member for Copeland (Mr Reed) and me as soon as possible to see what help and support we can give both to the families and the wider community of west Cumbria?

Chris Huhne: I would be very happy to meet the hon. Gentleman and his neighbour on this and any other issue. The industry is important to their part of the world, and I hope that the relationships can improve and that we can provide some reassurance to the families that such events will never happen again. We extend our condolences to those in distress.

Paul Flynn (Newport West) (Lab): Will the Secretary of State congratulate Dr David Lowry on publishing evidence from the 1962 report of the Medical Research Council's National Radiological Protection Board to show that there was an experiment in which people, including pregnant women, young people under 18 and those without fatal diseases, were exposed to doses of radiation of the most long-lived type, including strontium, plutonium and caesium? Is this not a sad story of the nuclear industry being far more interested in public relations than in public health?

Chris Huhne: The hon. Gentleman is absolutely right to identify Dr Lowry as one of the important characters in opening up this whole saga. I am happy to join him in his congratulations on that score. The key issue that we have to keep repeating to anyone who doubts it in the nuclear industry is that openness is absolutely crucial. We have an enormous continuing nuclear clean-up legacy in Sellafield and elsewhere that will require great effort for many years to come. That arises, in part, from the fact that the industry—here I agree with the hon. Member for Hackney South and Shoreditch (Meg Hillier)—was too secretive for far too long.

Thomas Docherty (Dunfermline and West Fife) (Lab): I should declare an interest having been brought up in west Cumbria and having worked for many years in the nuclear industry. I add my congratulations to my hon. Friends the Members for Copeland (Mr Reed) and for Workington (Tony Cunningham) on championing their communities on this issue for many years. The Secretary of State said that these are historical events. None the less, the practices continued until less than two decades ago, and personnel may be still in the NHS or the nuclear industry who were part of that decision-making process. Will the Secretary of State undertake to ensure that no one is working today in the NHS or in the industry who was responsible for those terrible decisions?

Chris Huhne: Michael Redfern QC identifies and names a number of people in his extensive report. The criticisms that are made of those individuals are quite a rebuke to anyone who is in a professional job and who values their standing. The key figures have now retired, and would certainly not be responsible for a continuation of such practices. However, that would be true even if they had not retired, because the law has now changed. The report, none the less, is thorough, extensive and identifies those individuals who were involved but who have now retired.

Guantanamo Civil Litigation Settlement

3.59 pm

The Lord Chancellor and Secretary of State for Justice (Mr Kenneth Clarke): With permission Mr Speaker, I would like to make a statement. On 6 July, the Prime Minister told the House that the legacy issues the Government had inherited around the treatment of detainees held by other countries needed to be addressed. Our reputation as a country that believes in human rights, justice, fairness and the rule of law otherwise risked being tarnished. There was also the risk of public confidence being eroded, with people doubting the ability of our security and intelligence agencies to protect us and questioning the rules under which they operate.

The Government are absolutely clear that national security and the protection of the rule of law go hand in hand. The Prime Minister has repeatedly made it clear that this coalition Government are unswerving in their opposition to torture or the ill-treatment of prisoners or detainees. We do not condone it, nor do we ask others to do it on our behalf.

We recognise that our longer-term security interests require that we defend our values and the rule of law, and that any allegations that threaten those must be treated seriously. In tackling the challenges posed by those serious allegations, the Government's overriding objective is to ensure that the security and intelligence agencies can focus on their vital task of protecting the security and interests of the UK, and that the serious allegations that threaten their reputation and that of our country are examined properly. The security of this nation is the first concern of any Government. The security and intelligence agencies play an invaluable part in ensuring our security, and the Government are determined that they are free to do the vital job that we need them to do.

In his statement, the Prime Minister said that a single, authoritative inquiry was required to investigate the serious allegations of the Government's complicity in the mistreatment of detainees held by other countries. The right honourable Sir Peter Gibson was appointed to head that independent inquiry. However, the Prime Minister also made it clear that the inquiry could not begin while related police investigations were ongoing and while so many of the Guantanamo civil law suits brought against the Government remained unresolved. To help to pave the way for the inquiry to begin, the Government committed to entering into a process of mediation with those held by the United States in detention in Guantanamo Bay who had brought civil actions against the Government.

I can today inform the House that the Government have now agreed a mediated settlement of the civil damages claims brought by detainees held at Guantanamo Bay. The details of that settlement have been made subject to a legally binding confidentiality agreement. They have been reported in confidence to the Chairman of the Intelligence and Security Committee of the House, to the National Audit Office, and, I think, to the Chair of the Public Accounts Committee.

Margaret Hodge (Barking) (Lab) *indicated dissent.*

Mr Clarke: Ah. No.

[Mr Kenneth Clarke]

No admissions of culpability have been made in settling those cases and nor have any of the claimants withdrawn their allegations. This is a mediated settlement. Confidentiality is a very common feature of mediation processes, as in this case. Confidentiality was agreed by both parties, subject to the necessary parliamentary accountability and legal requirements. I hope that the House will understand that I am unable to comment further on the details of the settlement without breaching that confidentiality with the claimants.

The alternative to any payments made was protracted and extremely expensive litigation in an uncertain legal environment in which the Government could not be certain that we would be able to defend Departments and the security and intelligence agencies without compromising national security. The cost was estimated at approximately £30 million to £50 million over three to five years of litigation. In our view, there could have been no Gibson inquiry until that ligation was resolved.

The Government will make a further statement to the House when the relevant police processes have been completed and the inquiry is in a position to begin its work. The mediated settlement actually represents a significant step forward in delivering the Government's plan for a resolution of those issues in the interests of both justice and national security. The settlement has the support of the heads of the Security Service, the Secret Intelligence Service and the Whitehall Departments involved. The Security Service and the SIS are issuing a public statement to that effect today.

In his statement, the Prime Minister also announced plans for a Green Paper on the use of intelligence in judicial proceedings, which we hope to publish in the summer of 2011. It will examine mechanisms for the protection and disclosure of sensitive information in the full range of civil proceedings, inquests and inquiries. We will also consider complementary options to modernise and reform existing standing intelligence oversight mechanisms. The Government are engaging with relevant parliamentary bodies, key stakeholders and our international partners in developing these proposals further. Today's announcement is a very important step forward, and we are closer now to getting the important Gibson inquiry into all these allegations finally under way.

Sadiq Khan (Tooting) (Lab): I thank the Justice Secretary for advance sight of his statement and for our meeting earlier today. I welcome his decision this morning to make this an oral statement to the House, rather than the written statement originally planned. I would also like to put it on the record at the outset that up until November 2004, I was a senior partner at a law firm that acted for a number of the Guantanamo Bay detainees.

Does the Secretary of State agree that statements as significant as this should be made first to the House before they appear in the media? Will he therefore join me in raising concern that this extremely important announcement was leaked to ITN's "News at Ten" programme last night?

On the substance of the right hon. and learned Gentleman's statement, the House is united in its complete rejection of torture and mistreatment. That goes for the practice of and collusion or complicity in torture. It is illegal, it is internationally banned, and no Government should have anything to do with it. The Labour party has been, and will remain, completely opposed to Guantanamo Bay. We took action in government to remove all the British citizens and all but one resident from Guantanamo Bay, and my right hon. Friend the Member for South Shields (David Miliband) ensured that Britain's Government were the first to get all their citizens out of there. What steps are this Government taking to secure the release of the one remaining resident still in Guantanamo Bay, Shaker Aamer? I note that the hon. Member for Battersea (Jane Ellison), who represents his family, is in her place.

Britain's security services, under all Governments, are required to live up to the highest standards, while protecting our national security. They do an incredible job. Their work is rarely ever recognised, for obvious reasons of secrecy, but they save lives, and we should always remind ourselves of that. We should also place firmly on the record the human rights policy of our security services, and be proud of their stance. As John Sawers, the head of the Secret Intelligence Service, said last month:

> "If we know or believe action by us will lead to torture taking place, we're required by UK and international law to avoid that action. It makes us strive all the harder to find different ways, consistent with human rights, to get the outcome we want."

To sustain the excellent work of the intelligence agencies, and to ensure that these standards are met in practice, it is vital that whenever allegations are made they are fully investigated.

You will know, Mr Speaker, that the previous Government began the process of publishing the consolidated guidance given to our intelligence officers, which was a process finished by the current Government earlier this year. It was and remains our view that all measures possible should be taken to satisfy ourselves, the public and our allies that if any wrongdoing is alleged, it is fully investigated, that any evidence is gathered and passed on, and that it is dealt with to conclusion. That is why the previous Attorney-General referred two cases where concerns had been raised to the police for investigation, and that is why we look forward to the judge-led inquiry into allegations of complicity in torture now that the civil cases are settled.

Can the right hon. and learned Gentleman confirm that the police will be able to conclude their investigations before the judge-led inquiry begins? Obviously, the House has not been privy to the detail of the settlements and the negotiations, but he will know that there are legitimate questions about the settlements that the Government have come to that mean that these 16 cases will no longer be resolved individually in the courts. We understand that the Government have had to consider this in the light of the ruling by the Court of Appeal in May. Can he confirm to the House that the settlements reached will not pre-judge the inquiry or pass judgement on the actions of our security services in advance of a full investigation?

Will the confidentiality agreement prevent the Secretary of State from telling the House and the public the sums of money involved in these settlements? If so, will he reconsider and agree with us that there is a public interest in knowing the total sum involved in this settlement? Will he commit to scrutiny of the settlements by both the Intelligence and Security Committee and the Public

Accounts Committee? He said that the claimants would be able to give evidence to the Gibson inquiry. Can he tell the House what investigations within the scope of the inquiry will take place into the allegations in those specific cases? Will the inquiry pass judgment on each individual case? Can the right hon. and learned Gentleman say whether the scope of that inquiry has changed since the Prime Minister's statement to the House in July?

Finally, can the right hon. and learned Gentleman also tell the House whether any other cases remain unsettled, and if so, what decision has been taken on their effect on the inquiry? It is important that the inquiry can be thorough and that its access to documents held by the Government should be as full as that enjoyed by the courts. Can he therefore confirm that the Gibson inquiry will have access to all the same information that has been or would be available to the courts? Everyone will appreciate the need to ensure that Britain's security is not compromised, and that must be reflected in the way that the inquiry operates. However, as the allegations are comprehensively addressed, it is important that the public should have confidence in the process and its outcome. We say again: there is no place for the torture or mistreatment of detainees.

Mr Clarke: I, too, regret the leak. I am having a bad week for leaks. I made a statement yesterday that had been leaked by somebody at the weekend, and last night I was at dinner when I was told that ITV had details of this statement. It is early days in government to have them so frequently—but 'twas ever thus. I will do my best to ensure that there are no leaks of this kind in future.

We continue to press the Americans for Shaker Aamer's release. We are trying to ensure his release, and we are in constant contact with them.

So far as the other questions are concerned, the determination of this Government, as soon as we took office, has been to try to draw a line under these cases and move on, in the light of the policy that the right hon. Gentleman supported, and on which all parts of the House agreed. This country is against torture. This country has a good, high-quality security and intelligence service. We wish to make it quite clear that it is not complicit—and must not be complicit—in the torture or ill-treatment of detainees, so the sooner we resolve these doubts and enable it to get on with its proper job of intelligence, the better. We were bogged down in litigation and complaints which were slowly going not exactly nowhere but could have taken years to resolve, because of all the difficulties with the admissibility of the evidence and the hearing of evidence in public.

For that reason, we have sought to draw a line under things. We published the guidance on treatment of detainees, as the right hon. Gentleman said, which is the first step that we took. We have now resolved these issues in a way that enables us to move on. We still have to wait for the police inquiry, to which he also referred. That is entirely a matter for the police, and no one—no Minister or anybody else—can intervene and start instructing the police on how to conduct such inquiries. We cannot get the Gibson inquiry under way until the police inquiries have been resolved. I do not know how long they will take—I hope that they will not take too long—but that is a matter for the police. If those inquiries lead to prosecutions, we will have to wait for the resolution of those prosecutions. If they lead to no prosecutions, we really will be clear to get on to the inquiry that lies beyond.

The settlement, which involves no concession of liability or withdrawal of allegations, does not prejudge the Gibson inquiry in any way. It will be entirely for Sir Peter and his colleagues to decide on the inquiry once its terms of reference have finally been settled. We see the inquiry as looking at the problem in general—that is, looking at the history and deciding whether there were problems and whether there are any lessons to learn, as well as making inquiries about how we might ensure that the standards that the whole House would want to uphold are put beyond doubt for the future. We have not altered the scope of the inquiry since the Prime Minister made his statement, and we expect it to have access to a wide range of information—indeed, all the information that it could reasonably expect. The problem with the courts is either that they cannot have access to a lot of the information because of all the security problems, or that they cannot share it with the complainants and the public. So far as I am aware, the settlements cover all the British residents and citizens from Guantanamo Bay who are making complaints. We are not aware of any other cases that could be raised on all fours with those.

The settlement has saved us money and, most importantly, time. It has stopped the intelligence service spending man-hours on sifting through evidence and coping with litigation, but it must remain confidential. It is legally confidential and could be reopened if either side broke that confidentiality, so I am afraid that I am unable to tell the right hon. Gentleman the precise sums involved, but the gain that has been achieved by mediating the claims is considerable and in the national interest.

Several hon. Members *rose—*

Mr Speaker: Order. There is much interest in this subject, and immediately afterwards we have a ten-minute rule motion followed by the first day in Committee of a very important constitutional Bill, so there is a premium on brevity from Back-Bench and Front-Bench Members alike.

Richard Ottaway (Croydon South) (Con): Having been a member of the Intelligence and Security Committee for the past five years, I have reached the uncomfortable conclusion that if there is not to be a total breakdown in the intelligence-sharing relationship with the United States, my right hon. and learned Friend has reached the right conclusion. However, does he agree that he must now find a way of conducting such litigation without compromising national security? Has he considered expanding the scope of the Green Paper from civil cases to criminal cases?

Mr Clarke: I am grateful to my hon. Friend for his sensible proposition. The same issues arise, and I will certainly bear his suggestion in mind. The problem crops up over and over again. We currently have an inquest into the highly important matter of the explosions on 7 July, which has decided to extend itself into an inquiry into the activities of the intelligence services in informing themselves about possible risks to security throughout the country. Wholly foreseeably, it has run

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crash into the problem of exactly what evidence is supposed to be adduced about that in public. I have no idea—it is for Lady Justice Hallett to resolve—how we move on in that particular case. The Green Paper will be difficult. It will be difficult to reach clear conclusions, but we wish to do so as quickly as possible and the purpose of the Green Paper is to address that problem so that we can be sure that justice is done without compromising national security. At the moment, there is a tendency for claimants, the security service and everyone else to get bogged down in interminable litigation and judicial review. That has to be resolved.

Mr Jack Straw (Blackburn) (Lab): I welcome the right hon. and learned Gentleman's statement and the comments of my right hon. Friend the Member for Tooting (Sadiq Khan). Picking up on the remarks of the Chair of the Foreign Affairs Committee, the hon. Member for Croydon South (Richard Ottaway), may I ask the right hon. and learned Gentleman whether it will be possible for Sir Peter Gibson, who has great judicial experience, to feed into the important work on the Green Paper on the use of intelligence in judicial proceedings?

Mr Clarke: Sir Peter Gibson has indeed been the Intelligence Services Commissioner, and still is, although he will probably have to give that up when he takes on this inquiry. If he wishes to give his views on this difficult question, I am sure that they will be welcome, because, as the right hon. Gentleman knows, he is a considerable expert on the subject.

Tom Brake (Carshalton and Wallington) (LD): Is it a reasonable assumption that the UK Government would not agree to a mediated settlement if there were no evidence whatever of UK involvement in any illegal act?

Mr Clarke: The settlement is not to be taken as an admission of liability, as it were. It was not in the interests of either party to get stuck into civil litigation with a wholly unforeseeable outcome. As I have said, it could have taken years and cost tens of millions of pounds. Its resolution was holding up the wish of the Prime Minister and the Government to get on with sorting out the allegations and having a proper inquiry into them. It has cost us quite a bit of money to mediate them, because the complainants were pressing their claims. The situation is obviously difficult and unusual, but it was right, in the public interest, to pay the money. The idea that we should carry on arguing for the next five or six years—it could have taken that long—and find ourselves in a pale reflection of the Saville inquiry running on and on would not have done anyone any good at all, so we paid the money so that we can move on. I think we have saved public money by not continuing to contest the claims.

David Miliband (South Shields) (Lab): I think there will be natural concern on both sides of the House about Government payments of compensation when culpability has not been admitted. It is, however, important to welcome the right hon. and learned Gentleman's statement today. I also welcome his repetition—word for word, if my memory serves me right—of the previous Government's position on torture and other cruel and inhuman treatment. May I bring him back to the subject of the police inquiries and the Gibson inquiry? Like him, I hope for a speedy conclusion to the police inquiries so that the Gibson inquiry can get on with its work and bring some facts to a debate that often sadly lacks them. Would it be possible for Sir Peter Gibson and his team to start work now, even if their public and other work cannot get going yet? It would be a pity if the police inquiries were to drag on for many more months, delaying bringing clarity to this area.

Mr Clarke: I share the right hon. Gentleman's statement of this country's values as far as torture and ill-treatment are concerned. I also share his impatience to see the Gibson inquiry get under way. The Government cannot, however, have the inquiry proceeding in parallel with either civil or criminal proceedings on part of the same subject. For that reason, we must make it clear straight away that both will have to be resolved before we can proceed. If Sir Peter were to start, and if there were a prosecution arising from the police inquiries, a criminal trial might be running in parallel to his inquiry. That would not be possible. We shall wait to see what the police decide, and the moment those matters are resolved, Sir Peter will be able to begin his work.

Tony Baldry (Banbury) (Con): Without prejudicing any of the facts of this case, can my right hon. and learned Friend confirm that any act of torture, or conspiracy to commit acts of torture, by any UK citizen anywhere in the world will be a criminal offence, and that, as a matter of public policy, any evidence obtained by torture will always be inadmissible in UK courts?

Mr Clarke: Yes, I can give a straightforward, positive answer to both those questions. Yes, that is undoubtedly the case, and my hon. Friend has accurately stated the position.

Mr Elfyn Llwyd (Dwyfor Meirionnydd) (PC): I thank the Justice Secretary for giving me advance notice of his statement. Given the need to preserve confidentiality in relation to the settlement, how long does he think that that confidentiality will be preserved, bearing in mind the two serious leaks from his Department this week?

Mr Clarke: Exactly the same thoughts have crossed my mind, but I am bound by the confidentiality agreement and I must hope that everyone will abide by their legal obligations. However, I share the hon. Gentleman's uncertainty.

Kris Hopkins (Keighley) (Con): Might it be appropriate for us to seek to recover the costs of the compensation payments from those individuals who are responsible, in particular the former Labour Prime Minister, Tony Blair, who has made tens of millions of pounds since leaving this House?

Mr Clarke: The costs have been incurred in civil litigation between the detainees and the Government, and we have settled the matter. I do not think that that would be proper—I do not agree with my hon. Friend's suggestion, and I do not think that there is really the slightest claim against the previous Prime Minister.

Mr George Howarth (Knowsley) (Lab): Does the Secretary of State accept that many people will find this settlement a bitter pill to swallow? Will he confirm that, if our intelligence relationship with the United States were to break down, which was a real possibility, it would imperil the lives of many, many citizens of this country?

Mr Clarke: I agree that the Government's relationship with the United States and the close relationship between our intelligence services and those of the United States make a vital contribution to our protection of the security of this country and the lives of individuals here. That must not be jeopardised.

Dr Julian Lewis (New Forest East) (Con): Does the Secretary of State agree that it would be wrong to infer from the fact that there is a confidentiality agreement about the substantial sums paid to these individuals that that confidentiality agreement was imposed at the behest of one side rather than the other?

Mr Clarke: The other side wanted confidentiality as well, I am assured. It is not at all unusual, when mediating an action of this kind, for both sides to agree that they wish to have confidentiality. My hon. Friend is quite right: there is no point in trying to read into this that either side has resiled. Anyone who has been involved in any kind of civil litigation on a less serious matter will know that, often, a party that has been busily protesting its side of the argument can be quite well advised to stop running up costs, to stop wasting management time, to make a reasonable offer and to get out of it. In this case, the considerations were much more important for the public interest. How much longer did we want man-hours in the intelligence services to be absorbed, and how many tens of millions were we prepared to spend on interminable litigation?

Mr David Winnick (Walsall North) (Lab): Leaving aside the cheap political point made by the hon. Member for Keighley (Kris Hopkins) a moment ago, let me tell the Justice Secretary that I find it difficult to understand—as will many people—how compensation could be paid unless there was substantial substance to the allegations made by those who claim that they were transferred illegally and tortured abroad. Surely the clear lesson to be learned is that a state such as ours, based on the rule of law, must ensure that all its officials observe the rule of law, and must not be complicit in any way with agents abroad who carry out torture.

Mr Clarke: It is not unusual in many walks of life for a settlement to be reached with neither party making any concessions on their arguments, but both parties agreeing that the settlement constitutes a sensible way of reaching a compromise in the dispute without going further.

I entirely agree with the statement of principle in the second part of the hon. Gentleman's question. The Government are opposed to torture. Torture is a serious criminal offence. We are opposed to the ill-treatment of detainees and prisoners in any circumstances. We will not condone it, and we will not be complicit in it. Those are the essential values that we must defend, even when we face such dangers as we do now from terrorism in the world.

Jane Ellison (Battersea) (Con): I welcome my right hon. and learned Friend's statement. Further to his comments about Shaker Aamer, does he agree that if we are to achieve closure gradually over the next few years, it is important that Shaker Aamer is released to this country so that he can give evidence to the torture inquiry in person?

Mr Clarke: Yes, I do agree. I know that there are people who feel very strongly about the release of Shaker Aamer. We continue to be in contact with the United States, and we continue to hope that he will be released and returned to this country. I know that my hon. Friend has been arguing and campaigning for that for some time. I agree with her, and we are doing our best.

Mike Gapes (Ilford South) (Lab/Co-op): Is the Secretary of State comfortable with the fact that millions of pounds are being paid out during the week in which he is announcing big cuts in the legal aid budget? Should we not be ensuring that if those who receive the money themselves breach the confidentiality agreement, or their lawyers do, the money is taken back from them?

Mr Clarke: That might involve reopening the settlement, which I would not be willing to do. We must be careful about the confidentiality because, certainly in principle, the settlement could be reopened. I entirely understand that there are a large number of aspects of this with which everyone is uncomfortable, and which some people will strongly dislike. However, we must keep our eye on the ball, and decide what is truly in the national interest. What is truly in the national interest is allowing the intelligence services to get on with their job, allowing us to put the reputation of this country beyond doubt, and learning lessons that may have to be learned—we do not know yet—from anything that Sir Peter Gibson puts forward.

As for the legal aid proposals, we said that legal aid would still be available, on a means-tested basis, to anyone who wished to challenge the state by way of judicial review. Other claims would have to involve exceptional public interest.

Mr Tobias Ellwood (Bournemouth East) (Con): I welcome the statement. I am sorry that we did not do more to speak out against Guantanamo Bay and everything that it stands for. The creation of the term "enemy combatants" allowed the nation, indeed the world, to ignore the Geneva conventions.

My I ask my right hon. and learned Friend to turn to the issue of compensation for British victims of terrorism overseas? As he will know, those who were caught up in the 7/7 bombings were adequately supported and compensated, but as soon as such an event takes place abroad we see that there is no support whatsoever, whether it be in Bali, Mumbai or Sharm el Sheikh. That is simply wrong, and it needs to change.

Mr Clarke: I know of my hon. Friend's continuing interest in this subject. As part of our policy considerations in the light of the public spending review, we are having to examine the criminal injuries compensation system and the proposed terrorist injury compensation system. We are having to decide how we should judge the

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Government's responsibilities for compensating those who have been injured by crime, either at home—we have always compensated those people—or abroad: I know that my hon. Friend has been campaigning for that.

Keith Vaz (Leicester East) (Lab): A year ago, I wrote on behalf of the Home Affairs Committee to the previous Attorney-General, asking about the police inquiries, and I see that the Secretary of State is surrounded by Law Officers today. While not seeking to influence or instruct the police, which would be totally improper, surely it is in everyone's interests that we know if there is a timetable. What is holding up this inquiry, which has gone on for several years?

Mr Clarke: If the police follow these exchanges, I am sure they will note the right hon. Gentleman's impatience that we move on and get some resolution to inquiries, which I think have been going on for about 15 to 18 months. He knows, because he is as good a lawyer as anybody else involved in these discussions, that it would be quite improper for anyone to approach the police and put pressure on them to put in place a timetable or to press them one way or the other.

Henry Smith (Crawley) (Con): I welcome the Gibson inquiry, and I agree that what has been announced is necessary for the sake of our national security, but will my right hon. and learned Friend acknowledge the concern expressed by many people that a settlement has been paid using British taxpayers' money for foreign nationals—non-British citizens—detained in a foreign country by a foreign Government?

Mr Clarke: The cases involve British nationals or British residents. Although there is one case where that is a slightly doubtful statement, it had already got under way before we came into office, and at some stage the jurisdiction had been accepted. Twelve cases are already before the court, and four would have come before the court if we had not proceeded as we have. We have not started compensating people at large for what happened in Guantanamo Bay. We have only dealt with British residents and British citizens.

Mr Dennis Skinner (Bolsover) (Lab): Have I got this right? Is the Secretary of State paying out large sums of money—he will not tell us how much—to people who are giving no guarantees about not breaking confidentiality? Can it be true that he cannot say to the House that this matter has ended? Is he not buying time? This sounds like money for old rope. The other week, the Conservatives were giving prisoners votes; now they are giving them lottery millions. I think I have already discovered the soft underbelly of this Government.

Mr Clarke: In answer to the hon. Gentleman's question, no, he is not right: the confidentiality is binding on both sides. The people who brought the claims have bound themselves by confidentiality and so have the Government. That is a perfectly usual term of a mediated settlement of what was going to be a hugely expensive problem for the British taxpayer if it had not been resolved.

Mr Dominic Raab (Esher and Walton) (Con): I welcome the statement. As I understand it, the mediation is designed to address the potential cost of litigation arising from the Guantanamo cases and is estimated to be between £30 million and £50 million. The inquiry is also wider than that, and will deal with non-Guantanamo cases where individuals have been detained in other countries. What is the estimated cost of the potential litigation in those cases?

Mr Clarke: I agree that the Gibson inquiry does have wide terms of reference, although these matters finally have to be settled. It is looking at the whole question of the ill treatment of detainees generally, although, of course, usually in cases where there is some British involvement, such as where our allies have been involved or where we have been engaged in theatre. My hon. Friend the Member for Chichester (Mr Tyrie) takes a great interest in these allegations and as he cannot be present today he has been on the telephone to me, because he is very anxious that rendition should be included.

I cannot give an estimate of the cost, but we are anxious that there should be a reasonable time scale, and so is Sir Peter. We do not want this to go on for ever. The inquiry will take a general look at the position, and it will take such evidence as it feels fit and go as wide as is necessary to guide future British policy. Beyond that I cannot go, however, because in the end this will be a matter for Sir Peter and his two colleagues on the panel.

Kevin Brennan (Cardiff West) (Lab): We know that the settlement was under £30 million because that is what the right hon. and learned Gentleman said was the minimum cost of the alternative. I confess that I am not a lawyer—most British people are not lawyers—but I cannot understand why the Government, in making this settlement, took the view that they wanted to keep the sum of money involved a secret from the British people. Why was that the Government's position in this case?

Mr Clarke: This was negotiated and the other side wanted confidentiality, and it was settled on the basis of confidentiality, subject to parliamentary accountability. I understand the hon. Gentleman, and, with great respect, I anticipated his questions, as they are going to occur to quite a lot of people. We could settle this on the basis of confidentiality and we have done so. We have notified the National Audit Office, I think that we offered a briefing to the Chairman of the Public Accounts Committee and we have briefed the Chairman of the Intelligence and Security Committee, but it would be folly to break the legal confidentiality, which was part of the settlement, if the result is to jeopardise the settlement and put us back where we started.

Ian Austin (Dudley North) (Lab): I am sorry to strike a discordant note, but ordinary decent people out there are going to think that the world has gone mad. People making wild, unsubstantiated and baseless allegations of torture are getting more money than victims of terrorism here in London. If, as the Secretary of State says, it is the law that has forced him to do this, what people out there will want to hear from him are assurances that he will accelerate proposals to change the law and ensure that we never have any of this nonsense again.

Mr Clarke: It is the rule of law, I am afraid. The hon. Gentleman is prejudging the claims that were being fought out before the courts. The claims were for compensation for serious problems that these detainees had suffered—I have met these people. The argument was about the complicity of the British security services, which was not and is not admitted. The detainees were bringing a legal action. It might be that had this ever been fought to a conclusion, the court might have come to the hon. Gentleman's conclusion that these claims were baseless, but we are never going to discover that now, because we have settled this. We did so as it was not worth discovering, because the bigger public interest was in making sure that we could put a line under all this, get back to having the reputation of our intelligence services restored and get Sir Peter Gibson to advise on how to make sure that that reputation remains intact in future.

Mr Robert Buckland (South Swindon) (Con): Will my right hon. and learned Friend assure me that if these allegations were wild and unsubstantiated, as has just been suggested, the Government would not have been keen to settle these cases?

Mr Clarke: I think that in all forms of litigation it is wrong to start reading whether a settlement made with no admissions on one side and no withdrawal of allegations on the other indicates which side was winning—it does not necessarily do so. The fact is that these two sides were locked in litigation, which was going nowhere fast because of the very difficult legal problem of what evidence can be admitted and whether that evidence should be admitted publicly. If Members want, they can read into this that one side was admitting it or that the other side was producing frivolous claims and got away with murder. The court was entertaining these claims; 12 civil actions were under way. But I think everybody understands from the most extraordinary circumstances of this case that it was better to settle it than just to let it go on to see who eventually won. No one should read into this admissions of liability and no one should read into this that one side packed up its claims; we just agreed to come to a very sensible mediated settlement.

Paul Flynn (Newport West) (Lab): Can we demonstrate that we have learned the lesson of the damage done to our reputation by the protracted nature of these investigations by guaranteeing that when fresh allegations are made of bad behaviour, such as the 21 cases cited by *The Guardian* following freedom of information requests, those present and future allegations will be investigated swiftly and thoroughly?

Mr Clarke: That is why we need the Green Paper, in order to try to establish some rules on the admissibility of intelligence evidence or evidence that may be of relevance to national security. As I believe I said in answer to an earlier question, this issue is cropping up with ever more frequency and we need to resolve it. This is not just something that the Government or Parliament can simply declare we are going to do. We have to resolve this in a way that is compatible with the rule of law, with the judgments that British Courts are likely to come to and with the strong opinions held by the judiciary in this country in their role of defending our fundamental rights, the rule of law and the independence of the courts. We have to consider our international obligations. It will not be easy to produce a Green Paper, but that is the secret to getting back to resolving these matters at a decent pace. I entirely share the hon. Gentleman's wish that we could do that, so that they can be sorted out pretty clearly, fairly and straightforwardly whenever they arise.

Geraint Davies (Swansea West) (Lab/Co-op): You will know, Mr Speaker, that my former constituent Feroz Abbasi was held for many years in Guantanamo Bay in intolerable conditions without charge and was later freed. May I ask the Justice Secretary that if members of MI5 or MI6 are found to be complicit in torture, what penalties will they face?

Mr Clarke: That is speculative. I should make it clear that the allegations in these cases were not, so far as I am aware, that any member of the British security services had directly been involved in torture or ill treatment. They were argued to be complicit—that is, they had known that others were doing that and had somehow been complicit, which is not admitted by the security services. That was the issue. No one, I think, has been accused of torturing. It would be a very serious matter if anybody in the British intelligence services was ever found to have taken part in torture or the deliberate ill treatment of a detainee.

Points of Order

4.40 pm

Hilary Benn (Leeds Central) (Lab): On a point of order, Mr Speaker. I raised with you yesterday in a point of order the amount of time that the House would have to debate the Fixed-term Parliaments Bill when there was a possibility of there being one statement today. We have now had two statements that have taken an hour and 10 minutes out of our time. Members will, I think, find it particularly galling that one of those statements is the result of the leak on damages settlements, on which we have just heard the Justice Secretary report to the House. In these circumstances, Mr Speaker, what protection can Members be offered so that we have the opportunity properly to debate and discuss a major constitutional Bill that will change the way in which our democracy operates?

Mr Speaker: I have heard what the right hon. Gentleman has said and I fully understand the seriousness of his point. The short answer, however, is that these decisions—that is to say, decisions on the timing of Government business—are ultimately for others to make. Specifically, these matters are in the hands of the usual channels and, in particular, of the Government. The right hon. Gentleman might wish that it were otherwise, and many might agree with him, but that is the position as it stands. However, I simply say to him, as I was able to say to him yesterday, that his opposite number, the Leader of the House, is present. He will have heard what has been said and it is open to the Leader of the House to respond if he so wishes.

The Leader of the House of Commons (Sir George Young): Further to that point of order, Mr Speaker. It was not the practice of the previous Administration to add injury time when we debated constitutional Bills on the Floor of the House and it is not our habit either.

Mr Speaker: The exchange has taken place and we will have to leave it there for the time being.

Ann Clwyd (Cynon Valley) (Lab): On a point of order, Mr Speaker. I want to raise a subject at the heart of public debate to do with the credibility of Parliament and the honesty of Members of Parliament. You will know that the Deputy Prime Minister has made numerous statements on the need for openness, transparency, probity and honesty with the electorate. Yesterday, I wrote to the Deputy Prime Minister asking for a copy of the paper on tuition fees written for him by the Chief Secretary to the Treasury on 16 March along with the paper by the Education Secretary on the same subject. Those papers are not Government publications but are public interest papers. Would you, Mr Speaker, be prepared to give the Library permission to hold those papers after I receive them?

Mr Speaker: I have listened carefully to what the right hon. Lady has said and I shall happily look into this matter for her and for the House. Ultimately, of course, the decision on which documents that are in the hands of members of the Government are published by the Government, including perhaps being put into the Library, is a matter for the Government. However, as I have said, I have heard what she has said, I shall look into it and I shall revert to her when I have done so.

We come now to the ten-minute rule Bill, for which the hon. Member for Glasgow North West (John Robertson) has been waiting very patiently.

Employment Retention

Motion for leave to introduce a Bill (Standing Order No. 23)

4.44 pm

John Robertson (Glasgow North West) (Lab): I beg to move,

That leave be given to bring in a Bill to make provision for a statutory right to an employment retention assessment to determine entitlement to a period of rehabilitation leave for newly disabled people and people whose existing impairments change; and for connected purposes.

This is the fifth time that I have raised this subject in a ten-minute rule Bill, so if God loves a trier, he must adore me. I hesitate to add that I have seen off three Labour Secretaries of State for Work and Pensions; I hope that this coalition Secretary of State will be my first and last. Throughout my years of toil, it has become clear to me that there is firm consensus across the House that support should be provided to ensure that people who develop an impairment or become disabled can remain in work. The widespread support I have always received for this Bill is testament to the fact that the matter is not confined to the margins of society.

Every quarter, about 600,000 people become sick or develop an impairment as defined by the late Disability Discrimination Act 1995. Within a year of doing so, 13%, or 78,000 people, will have left work. Of those people, about 25,000 a year permanently leave employment owing to illness or disability and never return. That works out at more than a quarter of a million people since 1997, which more than cancels out the previous Government's creditable achievement of having helped 200,000 disabled people into work in the past decade and will no doubt hinder the current coalition.

We know that as a result of such barriers, a disabled person is nearly five times more likely to be out of work and claiming benefits than a non-disabled person. Crucially, once a disabled person is out of work they are far less likely to get back into employment. Behind these statistics lie people's lives, which often become unrecognisable as they suddenly have to come to terms with a permanent life-changing impairment while facing the prospect of losing their employment, their source of income and even, in some cases, their home.

I have made these points before and I will continue to do so until a Government address the problem. Last week, the Secretary of State outlined his new universal credit reform of the welfare system, which aims to move more people from benefits into employment, but today I find myself again making the point that we need to focus on retention if we are to stop people falling into the welfare trap in the first place. I welcome some of his welfare reforms, and if he truly intends to make a constructive effort to put more people into employment, I hope that he will consider me and my Bill as a help and not a hindrance.

I support the underlying principle of simplifying the benefits system and providing real incentives to work by creating a universal credit, but the universal lesson that the Government must take on board is that we will not get more people off benefits and into work if there is no work for them to go into. I agree that there should be real obligations, backed by sanctions, on people receiving out-of-work benefits, but they should be matched by rights and guarantees to work. An approach that involves too much stick and not enough carrot will not work.

There are areas in which I am at odds with the Government. I find their plans to cut housing benefit by 10% for people who are out of work for 12 months, even if they have done everything possible to find a job, abhorrent. That is the wrong approach and, without going into more detail, is completely wrong, and not just on moral grounds. It will only add to the burdens of people who are already heavily laden with a disability, or are in rehabilitation, and will make it twice as hard for them to find a job.

Another issue on which I disagree with the Government is the cut in local housing allowance, which will mean that nearly all the claimants in my constituency in private rentals will lose about £43 a month. That might not seem a huge amount, but for too many of my constituents, including those who have been hit by a debilitating injury, degenerative illness or ailment, it could mean having to find a massive chunk of their rent from somewhere else, thereby adding a further economic hurdle to those who want to remain in work.

Another obvious area of contention is the employment and support allowance, which replaced incapacity benefit and income support. The Government plan to reduce the length of time for which someone can receive ESA, and some think that the sole aim of that measure is to reduce the welfare bill rather than to make sure that recipients return to work. We know from the previous Government's initiative in this area, pathways to work, that many unemployed people with disabilities take longer than 12 months to secure employment. The Shaw Trust, one of the largest charities to work with employers, social services and the disabled to help people with disabilities find employment, states that out of all the clients whom it has placed in work so far this year, 20% had been supported for more than 12 months before moving into work, and of those, a third had taken about 18 months. The trust also states that 63% of all its clients on incapacity benefit included in these figures had taken more than 12 months.

Under the Work programme proposals, the Government estimate that around 58% of the 1.5 million incapacity benefit claimants will be moved on to the ESA work-related activity group. This would mean a large number of people being rushed through the programme, potentially only to leave that job because they cannot cope, have not adapted to their new disability, or are just not suitable, thus going back to square one. Matters could be made worse, as those with a new disability could be cut off long before a resumption of work or before rehabilitation is completed. Although the Government need to elaborate further on this area, they have not ruled out sanctions being imposed if ESA recipients have not secured a job. In any case, ESA recipients would face a reduction in income which would, in turn, place homes and family members at great risk.

I mentioned that my Bill has received widespread support in the House and that this is shared outside the Chamber. On previous occasions when I have brought the Bill before Parliament, I have found support from a wide range of stakeholders, ranging from the Trades Union Congress to disability charities such as the Royal National Institute of Blind People, the Disability Rights Commission and even the CBI.

[John Robertson]

Being made unemployed through ill health will have an effect on the individual's long-term well-being, and will also have an impact on the economy as many disabled people never return to work. The result is a strain on the state, a burden on pension funds and benefit payments, and even additional recruitment costs for employers to replace and train staff. Through the Bill, the Government, at relatively little cost, would be able to ensure that any regulatory burden on employers is kept to a minimum. It would be an investment that would reap the benefits in the short term for employers and employees, but in the long term for the Government through benefits savings and tax collected. As the Minister knows, for every 100,000 people who go on the dole, the cost to the taxpayer is £500 million. If we can reduce spending by 1% and raise revenues by 1%, we can reduce the deficit by £12 billion. In this Bill I offer the kind of thinking that will help us towards such goals.

I hope that the coalition Government will get behind the Bill. This year alone, 25,000 people will be in need of these changes, and 125,000 people since I first raised the issue. All I ask of the Government is that they support the Bill, prove that they want to keep people in work, and work with all parties to achieve that.

Question put and agreed to.

Ordered,

That John Robertson, Jim Sheridan, Cathy Jamieson, Miss Anne Begg, Valerie Vaz, Lisa Nandy, Alan Keen, Mr Mike Weir, Alun Michael, Jack Dromey, Jon Cruddas and Jenny Willott present the Bill.

John Robertson accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 4 February, and to be printed (Bill 107).

Fixed-term Parliaments Bill

[Relevant documents: The Second Report from the Political and Constitutional Reform Committee, Fixed-term Parliaments Bill, HC 436, and the Government's response thereto, Cm 7951.]

[1ST ALLOCATED DAY]

Considered in Committee

[MR NIGEL EVANS *in the Chair*]

Clause 1

POLLING DAYS FOR PARLIAMENTARY GENERAL ELECTIONS

4.55 pm

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I beg to move amendment 11, page 1, line 5, leave out '7 May 2015' and insert '1 May 2014'.

The First Deputy Chairman of Ways and Means (Mr Nigel Evans): With this, it will be convenient to discuss the following:

Amendment 7, page 1, line 5, leave out '2015' and insert '2013'.

Amendment 8, page 1, line 7, leave out 'fifth' and insert 'third'.

Amendment 12, page 1, line 7, leave out 'fifth' and insert 'fourth'.

Amendment 32, page 1, line 9, leave out subsection (4) and insert—

'(4) In determining the polling day for a parliamentary general election under subsection (3) above, no account shall be taken of any early parliamentary general election the polling day for which was appointed under section 2.'.

Amendment 13, page 1, line 13, leave out '"fifth" there were substituted "fourth"' and insert '"fourth" there were substituted "third"'.

Amendment 9, page 1, line 13, leave out 'fifth' and insert 'third'.

Amendment 10, page 1, line 13, leave out '"fourth"' and insert '"second"'.

New clause 4—*Devolved legislature elections*—

'(1) A devolved legislature election may not take place on the same day as a United Kingdom parliamentary general election.

(2) If a devolved legislature election is scheduled to take place on the same day as a United Kingdom parliamentary general election, then the date of the poll for the devolved legislature general election must vary by—

(a) not less than two months, and

(b) not more than twelve months and one week before or after the United Kingdom parliamentary general election date.

(3) The appropriate authority shall make provision by order to vary the date of the devolved legislature general election, subject to agreement by the relevant devolved legislature.

(4) The following election to that devolved legislature will take place on the first Thursday in May in the fourth calendar year following the polling day for the previous election.

(5) A devolved legislature election is an election to the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly.'.

New clause 5—*Varying of elections by the National Assembly for Wales*—

'(1) Section 4 of the Government of Wales Act 2006 ("Power to vary date of ordinary general election") is amended as follows.

(2) In subsection (1) after "May", insert ", subject to subsections (1A) and (1B)".

(4) After subsection (1) insert—

"(1A) If the scheduled date for a National Assembly for Wales ordinary general election is the same date as for a United Kingdom parliamentary general election, the National Assembly of Wales general election must be held—

(a) not less than two months, and

(b) not more than twelve months and one week before or after the United Kingdom parliamentary general election.

(1B) The Secretary of State for Wales shall by order provide for the date of the poll of the National Assembly for Wales ordinary general election, with the agreement of the National Assembly for Wales, subject to subsection (1A).".'.

Clause stand part.

Jonathan Edwards: I wish to speak also to amendments 12 and 13 in my name and those of my hon. Friend the Member for Na h-Eileanan an Iar (Mr MacNeil), the Leader of the Opposition and his hon. Friends, as well as new clauses 4 and 5. The amendments go to the crux of the Bill—the establishment of a specific period between elections and the date on which we hold the next UK parliamentary elections.

My party is in favour of fixed-term Parliaments, for many of the reasons outlined on Second Reading. A fixed-term Parliament removes a Prime Minister's ability to seek the dissolution of Parliament for pure political gain, taking away that significant incumbency advantage—more of which later in my speech. It would end speculation about the timing of the next election and a near-obsession with opinion polls and psephologists about when an election might be called. It provides stability for the political programme, as we have found with the One Wales agreement in Wales, a four-year term, where parties understand what can and cannot be achieved within the required legislative time frame—even in our case where the byzantine workings of legislative competence orders have held up the progress of our law-making, denying us prompt action to solve our problems. By providing a settled timetable, fixed-term Parliaments provide a firm basis for electoral administration, taking away the shock of a snap election and giving a more generous timetable to ensure participation in the voting process.

However, I cannot understand the Government's reasoning behind the insistence on a five-year legislative term, either in this parliamentary term or in the future. To be perfectly honest, there does not seem to be any reason. The Conservative-Liberal Democrat Government have consistently failed to provide a good reason why the next election should be held in May 2015, not in May 2014. On Second Reading, the Deputy Prime Minister, with bizarre Liberal Democrat logic, presumably taken from a "Focus" leaflet bar graph, claimed that a five-year Parliament would probably amount in practice to a legislative working term of four years. As many hon. Members will already know, the five-year maximum term was implemented in 1911, but even that was introduced with the expectation that the working parliamentary period would probably be four years—a period in which, as Lord Asquith said at the time, a Government had either the political mandate from the previous election or the unwillingness to commit to unpopular decisions ahead of the next election.

Four years—the length of time between elections for the National Assembly for Wales, the Scottish Parliament, the Northern Ireland Assembly, the London Assembly, the London mayoral elections and local authority, community and even parish council elections in all four parts of the UK—is quite clearly and obviously the norm for the electoral cycle in the nation states.

Tristram Hunt (Stoke-on-Trent Central) (Lab): Is the hon. Gentleman aware that, internationally, the four-year term is pretty much the norm, particularly in Westminster Parliaments? Is he further aware of the academic opinion from Robert Hazell at University College London's constitution unit to Professor Blackburn, who consistently say that five years is too long and smells like a political fix?

Jonathan Edwards: The hon. Gentleman makes an interesting point. For every legislature where the Executive is decided from the legislature, the average is four years rather than five.

The only elections that break that cycle in the UK are the European elections. The elections held and the terms that we expect are the same for elections at all levels, so why are the UK Government seeking to introduce a term that is different from all meaningful precedents?

Mr Andrew Turner (Isle of Wight) (Con): Does the hon. Gentleman accept that France has a different length, as does Australia? What is so special about four years?

5 pm

Jonathan Edwards: I shall try to address those points later in my speech. I think that I addressed some of them in my answer to an earlier intervention.

If four years is good enough for a local councillor, why should an MP be given any longer without once again putting themselves up for election to secure a democratic mandate? The argument has been made that, because the current system allows for up to five years between elections, that should be set in stone as the new norm, but that hardly seems proportionate or common sense. When there is a range of options, it is not normal to go for the most extreme, because more moderate measures make greater common sense and attract greater consensus, especially in this Chamber. Let us be honest: amid the rushed and hasty constitutional changes that the Con-Dem Government have been steamrollering through, consensus, consultation and a genuine attempt to reach cross-party agreement have, unfortunately, been greatly lacking.

A fairer litmus test of how long a fixed-term Parliament might be is the average length of time between elections. As the hon. Member for Rhondda (Chris Bryant), who I am glad to say will break with tradition tonight and, I hope, vote for an amendment in the name of Plaid Cymru and the Scottish National party, noted on Second Reading,

"the average length of a peacetime Parliament"—

going all the way back to the Great Reform Act of 1832—

has been three years and eight months."—[*Official Report*, 13 September 2010; Vol. 515, c. 625.]

That is a very important point.

[Jonathan Edwards]

Similarly, as Robert Hazell of University college London's constitution unit noted in his written evidence to the Political and Constitutional Reform Committee, although the balance of Parliaments has been between four and five years, those that went the whole term were those governed by Prime Ministers who did not believe that they would win an election after four years. A five-year parliamentary term, as we saw between 1992 and 1997 and 2005 and 2010 in particular, is often therefore a result of the unpopularity of the governing party. It seems ironic that this Con-Dem Government, one of whose parties is already highly unpopular in Wales—with just 5% support, according to the most recent poll, in north Wales—should opt for the length of time that is associated with the failure to govern successfully and to govern with public support. Perhaps that is just an expectation of things to come.

Why should this Parliament be for five years and not four? Why should we hold the election on 7 May 2015 and not on 1 May 2014? After all, when John Major and when the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) stayed in power for five years, they were accused of holding on to power. Is the same accusation not true of the current Government? There appears to be no great reason why five years should be the chosen length of the new fixed-term Parliament.

When questioned on Second Reading, the Deputy Prime Minister appeared loth to give a fuller explanation. I hope that we hear a better account this evening, because neither was an explanation more forthcoming from other Government Members. The hon. Member for Ceredigion (Mr Williams) reminded us that his party's election manifesto was for a four-year fixed-term Parliament, the proposal that my party supports. He said that he did not know when the policy was changed by the coalition agreement between the Conservatives and the Liberal Democrats.

I have heard much from the Liberal Democrats in recent months about the need for agreement and compromise in coalition, but I am not entirely sure at whom the message was aimed, because my party has been part of a successful coalition in Wales since we signed the One Wales agreement in 2007. The key to success, I can tell the Liberal Democrats, was agreeing the policy programme before signing the deal, not making it up as we went along, which seems to have been the case with the UK Government. Being part of a coalition does not mean that we have to sell our souls; it means that we reach a practical agreement on policies.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): My hon. Friend talks about the merits of coalition Government, but in these islands there is a Government who have only 46 Members but manage to pass their budgets with majorities in the 70s and 80s. Coalition government is not always the way; there is also the minority government model, which is working very successfully in Scotland.

Jonathan Edwards: I thank my hon. Friend for that point. I was remiss not to mention it.

Chris Bryant (Rhondda) (Lab): Because it is not true.

Jonathan Edwards: We will have that debate later.

A five-year Parliament was not in either governing party's manifesto, and was not put to a public vote. I often wonder, as I watch the coalition Government's policies morph before me and see stories about the coalition discussions leak out in books and in the Sunday press, just how much influence Back-Bench Lib Dems had over the policy negotiations. I wonder whether they, like me, wake up and wonder which policy of theirs will be changed today. As we are getting used to saying in Wales, "Another day, another Lib-Dem U-turn."

So, we are still no closer to understanding why five and not four years is the chosen length for a fixed term of the UK Parliament. Perhaps a wag on the Government Benches—by that I mean a wit, not the more common tabloid usage of the word—was correct when she referred to the next election date as being " the date of the next election, cementing the coalition". Others think that this is a response to the economic cycle, and the hope is that by 2015 the worm will have turned and the tremendous gamble with our economy, our livelihoods and our communities that we witnessed in the comprehensive spending review will have paid off, and we will be enjoying the fruits of a hard-won recovery. Either way, it appears to be a decision made from political expediency, and that is not in the best interests of the electorate or democracy.

Ms Louise Bagshawe (Corby) (Con): My right hon. Friend the Prime Minister currently has the right to extend this Parliament to 2015 if he wishes, so how is it an aggregation of power for him to give up the right to call an election at the time of his own choosing?

Jonathan Edwards: I think that the debate is about whether there is to be five years or four years between elections. I will try to address the hon. Lady's point as the debate progresses.

Many would say that the decision to run five-year electoral terms is a result of political expediency. I have a fair bit of experience of coalitions, and their policies should not have to be welded together in a back room in the way that those of the Con-Dem coalition have been. There is huge irony in the Deputy Prime Minister's coming to this House to say that the coalition is taking away the Prime Minister's right to call an election at the time of his choosing, because it is not. This addresses the point made by the hon. Member for Corby (Ms Bagshawe). The one who is currently in charge can choose the longest possible time to be in charge providing that he can keep his own party happy.

The Political and Constitutional Reform Committee notes that much of the evidence it received was against the idea of a five-year fixed parliamentary term. Neither constitutional experts nor the public are in favour of the new electoral system being set at this length of time. Indeed, some experts saw a note of irony in that by spacing out the time between elections at this maximum length, the active participation of many voters in the electoral system will be reduced rather than increased or improved, as many people, sadly, choose to mark their ballot paper only in a UK general election and do not participate at other levels of democracy. That is another issue that has not been considered properly in the discussions so far.

On Second Reading, many Members, not least my hon. Friend the Member for Perth and North Perthshire (Pete Wishart), drew attention to the most salient

concern—that of having the elections on the same day as other elections, specifically those of the devolved Administrations. There is nothing of what Aretha Franklin, or even George Galloway, might describe as "Respect" in the UK Government's treatment of the devolved Administrations in this affair, which has been notably lacking in meaningful consultation.

Mr MacNeil: Is not that point all the more serious with a UK general election, a Scottish election and a Welsh election possibly happening at the same time, lined up with the referendum? We want to avoid that because we know the media cannot handle it. That disservice will be done to Scotland not only this time but yet again in four to five years' time.

Jonathan Edwards: My hon. Friend is correct—it is a double insult. If these plans go through unamended, the next devolved elections in Scotland and Wales will be terribly skewed.

During the debates on the Parliamentary Voting System and Constituencies Bill, we discussed at length the principle of holding a National Assembly for Wales election on the same day as a referendum on the electoral system for the UK Parliament. Despite the objections of Opposition parties and, perhaps more importantly, those who make up the Welsh and Scottish Governments, that Bill was passed, once again showing up the Con-Dem Government's disrespect agenda for Wales and the other devolved nations. Ironically, even their best argument—the idea that savings would be made through combining the polls and that electors would not have to traipse to the polling station more than once—means little in the Welsh context, as we will already go to the ballot box in March for a referendum on the transfer of powers to the Welsh Government under part 4 of the Government of Wales Act 2006, and then again in the following May. Of course, the referendum on further powers is far more relevant to the National Assembly elections than the referendum on AV.

I am not here to repeat the arguments we have already had, although they remain equally relevant and valid to the amendment as they did to debates on the Parliamentary Voting System and Constituencies Bill. That clash of elections will occur once every five terms for the devolved Administrations and once every four terms for Westminster elections. As yet, we have no idea when a reformed House of Lords will be elected. I am a great believer in not underestimating the public, and in publishing the Bill the UK coalition Government are failing to learn from previous practices and errors. Many will remember that the 2007 Scottish Parliament and local elections were held on the same day, with the result that there were an astonishing 147,000 spoilt ballot papers.

Mr Alan Reid (Argyll and Bute) (LD): The hon. Gentleman cannot be allowed to get away with saying that all the spoilt ballot papers were because two elections were held on the same day. The reason was the poor design of the Scottish Parliament election ballot paper. There were two columns, and people had to put a cross in each, but the instructions were not clear. That was the reason for the spoilt ballot papers, not the fact that there were two elections on one day.

Jonathan Edwards: I thank the hon. Gentleman for his point, but I was about to explain some of the complexities involved.

That was, of course, the first election after a new system was introduced, with the single transferrable vote being used in local elections in Scotland. Fortunately, we in Wales had already learned lessons and decoupled our local authority and Assembly elections by a year.

Mr MacNeil: Although it is true that the main problem at the last Scottish election was the design of the ballot paper, covering both the constituency and list votes, the man who looked into the matter, Mr Gould, nevertheless suggested that different elections should not happen on the same day. There was a feeling that that had contributed to the difficulties, even though the main difficulty was the design of the ballot paper.

Jonathan Edwards: My hon. Friend makes a more informed contribution than I do, but I was just getting to the Gould report. It was an independent review by the Electoral Commission, and its conclusions and recommendations stated:

> "One of the more controversial issues in the 3 May 2007 elections was whether the Scottish parliamentary and the local government elections should have been combined on the same day. We were not surprised by the concerns that were expressed to us about this issue because pursuing combined or separate elections involves a trade-off of different objectives.
>
> If local issues and the visibility of local government candidates are viewed as a primary objective, then separating the...parliamentary from the local government elections is necessary in order to avoid the dominance of campaigns conducted for...parliamentary contests. In addition, separating the two elections would result in minimising the potential for voter confusion."

Ian Murray (Edinburgh South) (Lab): The hon. Gentleman is making some incredibly powerful arguments. Would he like to comment on the fact that not only would Westminster and Scottish parliamentary elections clash every five years, but the exact situation referred to in the Gould report—a clash with Scottish local government elections—would happen every four years? We could have the alternative vote system for Westminster while running the single transferrable vote system for the Scottish local government elections, which, as the Gould report highlighted, would be a disaster.

Jonathan Edwards: The hon. Gentleman makes a valid point, and that seems to me a recipe for disaster.

The words in the Gould report that I quoted make it clear to me, first, that elections should not take place at the same time when there is a trade-off between different objectives, as there clearly would be between a UK Westminster election and an election to the National Assembly for Wales or the other devolved Assemblies. Secondly, they show the problem of the dominance of one election over another. National Assembly for Wales elections are in no way inferior to UK general elections. To many people they mean much more, as they are a way of directly influencing the health and education policies that have an impact on everybody in one form or another.

We must consider the impact of our media, and even the failure of our politicians to understand what is at stake at different levels. Who can forget, for example,

[Jonathan Edwards]

the Conservatives using in a UK general election campaign the words of a woman in Wales, Julie from Llandudno, about her concern for education, even though the matter was not even being voted upon in Wales, where education is devolved? Such things have an impact on the perceptions of the electorate.

In the spring, we faced a bizarre, presidential-style contest that was alien to our democracy, in which we elect candidates to Parliament and then usually select the leader of the largest party in the legislature to head up the Executive. There is no doubt that giving three party leaders additional prominence had an impact on an election in which minority party candidates were forced to buck the trend to be elected. Were that to happen at the same time as a Welsh election to the National Assembly, it would cause untold damage to our democracy as Welsh issues, concerns and policies would be steamrollered by the UK media. In Wales, and to a lesser extent in Scotland, we face media that are largely published in England and understandably promote English issues and concerns. When the King report was published two years ago, it was noted that in a month of prime-time reports on health and education, both of which are devolved issues, not once in 134 stories was there any mention of the fact that those policies did not affect Wales, Scotland or Northern Ireland. That was a criticism of the BBC—a public service broadcaster.

Mr MacNeil: I wonder whether the hon. Gentleman was as appalled as I was by a "Question Time" programme about two weeks ago. The issue of fiscal autonomy or independence, which is of crucial relevance to Scotland and, in a way, the UK, too, was raised by Nicola Sturgeon, but David Dimbleby just did not want to hear about it. Does my hon. Friend not think that that typifies the attitude of the BBC? Although the attitude was writ small in that case, in the event of an election it shows that there would be no interest at all from a London-centric point of view to air and properly discuss issues that affect the people of Wales, Scotland and Northern Ireland.

Jonathan Edwards: Once again, my hon. Friend makes my point for me. What is important in this context is that the BBC is a public service broadcaster. I hesitate to say that the private sector is worse because it could hardly do much worse than nought out of 134. If this issue affects the BBC, it will certainly affect the private press as well.

The English or the UK-based media, which are, by and large, one and the same thing, have difficulties handling devolution issues. Given its high penetration into Wales, it would undoubtedly skew the National Assembly elections. That is a salient concern and one that the UK Government would be wise to heed before continuing down this route.

The Gould report of 2007 says that although turnout is important, it is not the only or the most important consideration. Its conclusions and recommendations state:

> "More important is that they engage with the campaign in a meaningful manner and make a knowledgeable decision on their ballot paper."

It recommends separating parliamentary and local government elections.

It is quite clear that the recommendations of the Gould report could equally apply to a separation of UK and devolved elections, which involve very different objectives and issues—not least in devolved issues such as health or education where some parties will be giving voters mixed messages due to the different policies that operate in different parts of the UK.

5.15 pm

This clash will be further complicated by the changes to the UK-wide parliamentary constituencies, especially in Wales. In Scotland, however, the changes are already in place to some extent. Under the terms of the Parliamentary Voting System and Constituencies Bill—it remains as opaque as ever as to why we debated the alternative vote referendum and the cut in the number of MPs in the same Bill while debating a fixed-term Parliament separately—Wales will lose probably 10 Members of Parliament.

That Bill also separated, or decoupled, the boundaries of Westminster constituency seats, which, under the new rules, will be set by the Boundary Commission for Wales. The rules make numbers on the electoral roll a more significant criterion than geography, history and other factors, and the National Assembly constituency boundaries will remain the same until the next Boundary Commission for Wales and will be set under the traditional rules.

Although I agree in principle with those changes, it would have been ridiculous to have lost 10 Assembly Members from the National Assembly because of a change in the rules at Westminster. That was an obvious weakness in the Government of Wales Act 2006. Although the Parliamentary Voting System and Constituencies Bill contained only one Welsh clause, no time was given in this place for proper discussions.

Ann Clwyd (Cynon Valley) (Lab): Despite the fact that the majority of Welsh MPs asked for a debate in the Welsh Grand Committee, which was set up for such a purpose, the Secretary of State for Wales refused that request. Why does the hon. Gentleman think that is?

Jonathan Edwards: The right hon. Lady knows that I am in full agreement with her. It was very important that those issues were discussed. It was a disgrace that the Secretary of State refused that request.

The First Deputy Chairman: Order. We are moving on to Bills that have already passed through the House. Please can we focus on the amendments before us?

Jonathan Edwards: These changes will have a clear impact as electors find themselves not merely with the added burden of an extra piece of paper to complete, as they will in the clashing elections next May and the alternative vote referendum, but voting for different constituency locations. I am proud to serve on the Welsh Affairs Committee in my first term in Parliament. The Committee received evidence from a number of organisations on these potential problems, and reported on them in our first publication of this Session, entitled "The implications for Wales of the Government's proposals

on constitutional reform". We heard, for example, testimony from Lewis Baston, senior research fellow with Democratic Audit. He said that

"the elections for Westminster and the Assembly would be taking place on different systems on the same day, and more complicatedly on two sets of boundaries which will hardly ever correlate with each other."

Philip Johnson told our Committee that the coincidence of elections could have "horrendous" consequences in 2015.

Chris Bryant: I respect Lewis Baston enormously, but he is slightly wrong: there would be three different sets of boundaries in Wales and Scotland, because there are majority elected seats as well as regional seats. There is no guarantee in the Parliamentary Voting System and Constituencies Bill that UK parliamentary boundaries will respect the boundaries of the regions used for Welsh Assembly and Scottish Parliament elections, so there will be three different boundaries.

Jonathan Edwards: I was coming to exactly that point. Electors will have three ballot papers: one for the Westminster constituency, which will be a separate location from the Assembly constituency, and a third paper for Assembly regional candidates. Scotland already has distinct UK and Scottish Parliament boundaries, but they remain fixed in Northern Ireland.

Ian Murray: The hon. Gentleman is generous in giving way to me again. If the Scottish parliamentary and UK elections were held on the same day, is it outwith the realms of possibility that my constituents would have to go to two separate polling stations?

Jonathan Edwards: The hon. Gentleman highlights the potential for organisational chaos in the 2015 elections. I am concerned about those elections from an organisational viewpoint.

That decoupling might lead to Westminster and the National Assembly for Wales having very different constituencies, and surely to confusion between different candidates, different policy areas and different locations. Just as importantly, there will be confusion because different electoral systems are used and different local authority electoral services will take responsibility for different counts.

Mr MacNeil: Further to the point made by the hon. Member for Edinburgh South (Ian Murray), surely the answer to avoiding the clash of dates is to give the devolved legislature or Government the power to change the date of elections, whether in respect of Cardiff, Holyrood or Belfast. If people foresee a clash with the US presidential election, for example, a Westminster election or—who knows?—the cup final, they could change dates.

Jonathan Edwards: I fully agree with my hon. Friend. That is the intention of some of our proposals and I am grateful to him for that important contribution.

Mr Mark Field (Cities of London and Westminster) (Con): The hon. Gentleman makes the reasonable point that there is a risk of confusion, but will he cast his mind back to the situation that pertained in London in 2004? We had a mayoral election, a Greater London assembly election, which featured a top-up list, and a full European election on the same day. The reality was that there was no sense of any great confusion among Londoners. I am sure that the Welsh electorate is no more stupid than the London electorate, and therefore that it would find a way to make the proposals work.

Jonathan Edwards: Obviously, my fears might come to nothing, but I see no reason why democracy should be held hostage to fortune in that way. The complication, of course, is how the media report different elections. That is the big difference between London elections and those for the devolved Administrations.

We are aware of the potential pitfalls, and I see no suitable way of dealing with them except by holding the different elections apart from each other. Of course, those are the known unknowns. As yet, we have no way of knowing the unknown unknowns between now and the next set of elections.

Mark Tami (Alyn and Deeside) (Lab): The hon. Gentleman has not mentioned one problem with holding different elections on the same day. Many who apply for a postal vote for the Westminster election will assume that they will automatically receive a postal vote for every election, but in fact, they will not, because they need to apply separately for a postal vote for the other elections.

Jonathan Edwards: The hon. Gentleman makes an important point about the potential for organisational chaos in 2015 and about participation in those elections.

From the perspective of candidates, another argument against the five-year fixed-term UK Parliament and the clash with devolved Administration elections is that political parties in those countries will need to find suitably more candidates to contest those elections—probably about 90 in Wales, if the Con-Dem Government have their way with the boundary changes enacted in the Parliamentary Voting System and Constituencies Bill, and about 180 in Scotland.

Nic Dakin (Scunthorpe) (Lab): The hon. Gentleman makes a lot of pertinent points about the difficulties in Wales in particular. Can he enlighten us on what consultation has taken place with the devolved Assemblies on these proposals?

Jonathan Edwards: I can answer the hon. Gentleman's point simply: hardly any.

Returning to the point about candidates, I am confident that my party will have no difficulty in finding quality candidates the length and breadth of Wales, although it might be a different matter, of course, for smaller parties, such as the Liberal Democrats. However, ensuring quality coverage, so that the electorate can become familiar with the people, and not only the party, for whom they are voting, will be doubly difficult if they are all fighting for air time.

Pete Wishart (Perth and North Perthshire) (SNP): I am sure that my hon. Friend is looking forward, like I am, with great anticipation to finding out how the Minister will reply to this debate. On Second Reading, the Deputy Prime Minister said that he was minded to

[Pete Wishart]

move the date of the election. Is my hon. Friend aware of any Government amendments dealing with this matter, or is this yet another Liberal broken promise?

Jonathan Edwards: My hon. Friend makes an important contribution. Obviously, if there had been changes since Second Reading, I would not have had to make this speech or table these amendments.

Mr Reid: The hon. Gentleman does not seem to be arguing that the right length of time for this Parliament is four years. His whole case seems to be that there will be a clash of elections every 20 years. I agree that it would be a bad idea for both elections to be on the same day, so were the Government to give the Scottish Parliament and the Welsh Assembly the power to alter the date of their elections, would he withdraw his new clause?

Jonathan Edwards: I made it clear earlier that my preference is for four years and, as the hon. Member for Rhondda has said, the norm has been three years and eight months. Why go to five years, therefore, if the norm over the past 200 years has been three years and eight months? That seems tried and tested.

Pete Wishart: Why on earth should it not be this House that moves its dates? When this Bill was introduced, the Government knew there was to be a Scottish parliamentary election in 2015? Is it not the ultimate disrespect that this place expects the Scottish Parliament to move on its behalf?

Jonathan Edwards: Once again, my hon. Friend makes an important point.

Chris Bryant: The hon. Member for Perth and North Perthshire (Pete Wishart) is being a little unfair to the Liberal Democrats. So far it is not a broken promise, but just a promise. It might become a broken promise, but at the moment it is just a promise.

Jonathan Edwards: I thank the hon. Gentleman for that correction.

On Second Reading, the Deputy Prime Minister appeared somewhat surprised that having elections on the same day might cause problems. In fact, he seemed slightly perplexed, as if he had not previously considered the possibility. In response to my hon. Friend the Member for Dwyfor Meirionnydd (Mr Llwyd), who noted that there was provision in the various devolution Acts for those legislatures to vary elections by up to four weeks only, the Deputy Prime Minister said:

"That is exactly...why we need to consider whether the existing provisions are sufficient."—[*Official Report*, 13 September 2010; Vol. 515, c. 627.]

That was commented on shortly after by the hon. Member for Garston and Halewood (Maria Eagle), who, quite understandably, wondered why, if the Deputy Prime Minister was already aware of the potential for problems, no provision had been made in the Bill to counter them. Admissions of that sort show up this Bill as having been flung together, rather than considered and properly scrutinised.

Mr MacNeil: Would it not be a great sign of maturity from the Government if they could accept new clause 4 and accept that various legislatures—be they in Westminster, Holyrood or wherever—have the right to pick their own window for an election in order to avoid clashes with another legislature and to allow the media the time to communicate properly with the populations? The latter will be difficult, as BBC "Question Time" the other week proved.

Jonathan Edwards: That would certainly further the respect agenda that we have heard so much about from the UK Government since their inception.

I am afraid that admissions of the sort that we heard from the Deputy Prime Minister show this legislation up as having been flung together rather than considered properly. The UK Government told us on Second Reading:

"We take these issues seriously and are not just paying lip service to them."—[*Official Report*, 13 September 2010; Vol. 515, c. 702.]

However, we have no new amendments on the issue to discuss in Committee, and no answers have been given to the questions posed about how the Government plan to deal with those concerns. I hope that we will hear more from the UK Government on the issue today, as requested by the Select Committee on Welsh Affairs in our first report. Nobody in Wales has any confidence that their voice is being heard for as long as the UK Government continue to steamroller their policies through without time for due consideration and scrutiny.

5.30 pm

What type of separation is acceptable? At present, the only available option is for elections to be varied by up to one month. In the case of Wales, the power is held by the Secretary of State for Wales. Eagle-eyed Members will have noticed that I have tabled a series of new clauses to deal with that eventuality: in particular new clause 4, which refers to the devolved legislatures in general, and new clause 5, which refers to the Welsh situation in particular. Those new clauses would provide a mechanism for varying the date of the National Assembly for Wales general election and the elections to the other devolved legislatures in Scotland and Northern Ireland, by between two months, and 12 months and a week, so as to avoid a clash with UK parliamentary elections under the new fixed-term system.

I also tabled related amendments to the Government of Wales Act 1998, which would transfer those powers from the Secretary of State for Wales to the National Assembly for Wales, as I believe that a democratically elected body representing the people of Wales should be in charge of electoral conduct, not a Secretary of State who frequently has no mandate. Sadly, new clause 6 has not been selected by Mr Speaker, so we will not have the opportunity to debate that context fully.

Our amendments were tabled as it had become patently clear that the UK Government were planning to bury their head in the sand. My new clauses were tabled to ensure that the issue of separate general election dates for the devolved legislatures was discussed in Committee. To explain that in more detail, the various Acts of devolution allow for a variation of one month between the scheduled date for the election and a date on which it can be held, as I said earlier. Presumably those powers are to be used in exceptional circumstances to allow

leeway should an unexpected occurrence take place, as happened in 2003 with the outbreak of foot and mouth disease. In contrast, clause 1(5) gives the UK Parliament the power to expand that period to two months under those circumstances. I presume that in neither case was it assumed that the date would be varied because of another election being held on the same day. In Wales and Northern Ireland, those powers to vary the date of the general election are in the hands of the respective Secretary of State, whereas in Scotland they are, I believe, in the hands of the Presiding Officer.

In the absence of any indication from the UK Government that they plan to deal with the issues raised by holding UK parliamentary and devolved legislature elections on the same date, our new clauses would provide a mechanism for holding devolved elections on a separate date at least two months before or after the UK parliamentary election, yet no more than 12 months and one week before or after that election. The date of the devolved legislature election would be recommended by the appropriate authority, with the consent of the devolved body. Two months is the absolute minimum that one could expect to be the difference between one set of elections and another. Under those circumstances, we would expect the devolved legislatures to recommend holding an election either close to the opposing equinox—be that late spring, between March and May, or mid-autumn, at the end of September or in October—or a full year apart, as we do at the moment, with the UK election taking place in May this year and the devolved legislatures going to the polls in May 2011. The clock would then be reset, so that the next election would take place approximately four years later, on the first Thursday in May.

The nature of fixed-term Parliaments—let us remember that we have had no need for early, extraordinary general elections in Wales or Scotland since their introduction—means that changes can be made in a timely and orderly fashion, so that nobody is in any doubt about when the next election will take place. However, this is not a perfect solution. It allows for variations in the length of a Parliament or Assembly, and therefore changes the notion of a fixed-term Parliament or Assembly. We made our suggestion to remind the Government that a problem exists and that the present restrictions do not allow enough time to avoid a hangover from one election to the next, even if they are held a month apart, not least for our exhausted election campaign teams, never mind the public.

The variation of one month between elections, which legislation currently makes possible, is better than holding them on the same date, but is clearly not sufficient to ensure avoidance of cross-pollination between one electoral event and another. I have set out our preferred position, which is to have a sensible and systematic four-year, fixed-term Parliament. That would avoid all those problems. There is not a problem at the moment and nothing is broken, so why are we making trouble in the Bill?

To return to amendment 11, holding a UK election in May 2014, even under a five-year timetable, would at least provide more time to decide how to deal with the problems. If the UK election were held in 2014 and we continued with devolved legislature elections a year later, the next clash would not come until 2019, giving us a further electoral cycle to come to terms with the issue. That is not an ideal solution—I have made it clear that I believe that a four-year fixed term would be considerably preferable—but it would at least buy additional time to debate and enact safeguards.

Two suggestions other than ours have been made. One is worthy of further discussion, although I do not necessarily agree with it. It was suggested by Professor Hazell, and it is that UK general elections should take place in October, thereby ensuring separation from all other elections. I would like to hear the Government's thoughts on that proposal because it might solve some of the issues that I have raised today. The weather would still be mild, it would be during the school term, and it would still be British summer time. The greatest problem would surely be MPs having to give up their summer holidays to campaign. It is also the conference season.

Another alternative, if we assume that the new political cycle will be five years and not four, is that the term of devolved Administrations should be changed to represent this new reality and should elect their Members every five years, thereby avoiding the concerns that I have laid before the House today. Again, that is not the favoured outcome of my party, and it is not the policy of any of the devolved legislatures or their Governments, but it is another solution that can be offered to meet some of the problems created by the Bill.

My amendment to hold UK parliamentary elections every fourth year, rather than every fifth year as in the Bill, is not the only one being spoken to today. The hon. Member for Great Grimsby (Austin Mitchell) will argue on amendments 7, 8, 9 and 10 that elections should be held every third year. On Second Reading, he referred to Australia and New Zealand, which are both great countries and both great rugby countries. Australia is led by a woman who originally came from Barry in Wales, and New Zealand is an example of the possibilities for a coherent coalition Government. However, I am rejecting this suggestion for some of the same reasons that I believe that a five-year term should be rejected: that it is not in keeping with the UK's traditional four-year electoral cycle.

Lord Asquith referred to the length of terms and the ability to provide a parliamentary legislative term between elections every three years. In my opinion, three years would be too short for a Government to come into being, develop their legislative programme and begin to enact it before being judged by the electorate. Four years seems to be a far more suitable time frame for people to judge whether a Government have been successful in keeping to their mandate and in improving the country.

Under amendment 32, tabled by the hon. Member for Nottingham North (Mr Allen) and others, the date of an election would be enshrined in the Bill, and would be held on the first Thursday in May every five years, irrespective of any extraordinary general elections, instead of the clock ticking again after an early election. If the amendment were accepted, we might find ourselves with more frequent clashes than once every 20 years between elections, and if that were unacceptable in Wales, Scotland and Northern Ireland, it would be doubly so if it took place because of instability in this place.

One problem of not restarting the clock at every election is the possibility, or even the probability, of a lame-duck Government. If an election were held three and a half years into the term, a Government elected

democratically at the polls would have only 18 months before facing the people again. As I have outlined, that is not enough time for a serious parliamentary legislative programme to be enacted, so it makes no sense to return to the polls so soon after an extraordinary election. This is where we must trade off between the certainty of knowing every election date until Wales and Scotland leave the Union with the practicalities of governing, so I shall not support amendment 32.

I am arguing today in favour of a four-year fixed-term Parliament, beginning with this current parliamentary term, with the next election taking place on 1 May 2014. There is nothing inevitable about clashes between different levels of elections, but that will be an outcome of the introduction of a fixed-term Parliament that runs on a timetable that is at odds with the established political electoral cycle of other devolved legislatures.

Jim Shannon (Strangford) (DUP): If the Northern Ireland Assembly were to say that it wanted its elections to run alongside the Westminster elections, would the hon. Gentleman accept that that should be able to happen? Or is he saying in his amendment that that should not happen?

Jonathan Edwards: In our view, the decision should be made at the appropriate level.

There are four-year electoral terms for the National Assembly for Wales, the Scottish Parliament, the Northern Ireland Assembly and all other devolved bodies and councils. The arrangements should be the same for the UK Parliament. We do not yet know when we will be voting for the House of Lords, a principle whose implementation we have been awaiting for quite some time, or for our police commissioners—an idea that excites no one save those on the Government Benches. The five-year terms of the European Parliament are an aberration from our electoral norm. The proposals in the Bill would also be an aberration.

A four-year Parliament beginning in 2014 would have the advantage of avoiding the problems associated with clashes between UK general elections and those of the devolved legislatures, which are many. The Bill has been presented to Parliament as a fait accompli, with no good reason as to why the next election must be in 2015 and why there must be five-year Parliaments. Political expediency is not the best principle on which to base good law-making. I fully support the concept of fixed-term Parliaments, but I cannot support a five-year fixed-term Parliament that will have strongly negative effects on democracy. I hope that the UK Government will see sense on this matter and respond positively to this suggestion, rather than putting their head in the sand and trying to brazen through a five-year parliamentary term without consensus in this House or among the other Parliaments in the UK. We shall be pressing amendments 11 and 12 to a vote, and we will not support clause 1 if it remains in its present format.

Mr Richard Shepherd (Aldridge-Brownhills) (Con): I shall support all those amendments that propose a four-year fixed-term Parliament, and in so doing I shall invoke someone who when I was growing up was considered a great Liberal. Mr Asquith spoke in the Chamber that preceded this one, and, in a recent debate on 21 February 1911 on the Parliament Bill which was to change the Septennial Act 1715, he said:

> "In the first place we propose to shorten the legal duration of Parliament from seven years to five years, which will probably amount in practice to an actual legislative working term of four years. That will secure that your House of Commons for the time being, is always either fresh from the polls which gave it authority, or—and this is an equally effective check upon acting in defiance of the popular will—it is looking forward to the polls at which it will have to render an account of its stewardship."—[*Official Report*, 21 February 1911; Vol. XXI, c. 1749.]

Asquith's reasons have been borne out in all the years since then. The average length of a Parliament is not far off four years, and his points relate to the electorate. None of the constitutional proposals of the Deputy Prime Minister—who I again note is not following his own Bill on the Floor of the House of Commons—strengthens the position of the electorate versus the Crown as represented by the Government. The proposals are therefore abandoning the principle that a Government have the authority to govern but must be mindful that there is a time after which the electorate should make a judgment on the actions, activities and success of that Government. That is all being cast out for what I believe to be a profoundly cynical purpose: the entrenchment, or attempted entrenchment, of a particular Parliament for five years. That requires a Bill. I do not know whether it is possible to present clause stand part arguments on the basis of parliamentary privilege and the series of very serious arguments that lie behind what we are discussing.

Mark Tami: The hon. Gentleman hit the nail on the head when he said that the Bill was really all about the current Parliament, and about holding the coalition together. No thought has been given to what it actually means for the future; it is just about holding the coalition together today.

5.45 pm

Mr Shepherd: I thank the hon. Gentleman for his support. I believe that that will be the wider judgment. What was reflected in a previous Bill is emphasised in this Bill.

The Bill has not, of course, received pre-legislative scrutiny in the traditional way, but nor did Asquith's Bill. That Bill was an attempt to bring together the threads of our constitutional history. What distresses me most about this constitutional arrangement, and the actions of the coalition Government, is that they think that we are all back-of-the-envelope legislators who set aside the traditions and history of our own constitution. They are trying to legislate for something that I believe is unnecessary. A Government last for as long as that Government can command a majority in the House of Commons: that is a fundamental constitutional proposition in the Parliament Act.

Mr Mark Field: My hon. Friend will know that I share many of his fears about the Bill, along with the other constitutional change that has been proposed. However, in so far as we are to have fixed-term Parliaments, might it not be regarded as even more cynical if we moved away from the five-year norm which has, as my hon. Friend says, been in place for the last 99 years, even if that five-year norm is a maximum?

Mr Shepherd: The point is that the coalition Government have set their heart on five years, so that is the proposition that we are examining. I was trying to advance the

arguments that were presented to the House as recently as 1911, but the post-1945 chart, featuring 17 or 18 elections, shows that, in all but four cases, the average length of a Government has been about four years. The principle behind that is fairly closely related to what Asquith said. It is right that there should have been a recent renewal of a Government's mandate; it is right that a Government should be mindful that they face an election. But if we are to adopt fixed-term Parliaments, what is the right period, given that the Government concerned command a majority in the House?

Mr Mark Field: In fact, there have been 17 elections since 1945, and the average length of a Government has been three years and 10 months. Does my hon. Friend agree that when the four-year term has been the norm, that has been because a Government have gone to the country at the time that they feel is best for them, whereas when a term lasts for the full five years, that has generally been because the Government in question had very little choice? In other words, there has been an element of expediency—one might even call it cynicism—behind the actions of Governments who have used the maximum five-year term for their own benefit.

Mr Shepherd: There is, of course, no question about that in my mind. Governments will try to engineer an election at the moment that is most convenient for them, although it may not be the best point in the cycle of public opinion, or relate to the sense of the House as a settled House.

Mr MacNeil: The hon. Gentleman said that Asquith's Bill did not receive pre-legislative scrutiny. Does he agree that we might be more relaxed about a lack of pre-legislative scrutiny if the Government were willing to reach out, listen, and take ideas on board—considered ideas that were not on the back of an envelope? May I suggest, in the context of new clause 4, that whether we support four years or five, it makes sense to allow other legislatures in the United Kingdom to alter, or tweak, what they are doing in relation to either Westminster or a five-year term?

Mr Shepherd: There is a simple amendment which the hon. Gentleman did not table, and which was not discussed in the lengthy and closely read speech of the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards). That amendment would state that the general election must take place on, let us say, the first Thursday in October. That would meet the point for which the hon. Gentleman argued at such great length—that he should not have to deal with the coincidence of elections on the same day. He did not table that simple amendment, however, and as it is not on the amendment paper I cannot speak to it.

I find Professor Blackburn a most interesting speaker on the constitution. In the evidence he gave in a memorandum on electoral law and administration, he makes the following point:

"In the UK, there can be little doubt that the period between general elections should be four years."

That is what we are debating now, and it is arguable. He continues:

"The proposal for fixed term Parliament as a whole should fit as closely as possible into existing constitutional expectations, and the idea that four years is about the right length of time between elections is very prevalent. It was the period expressly approved of as being normal in practice, when the Parliament Act set the period of five years as a maximum."

That is a reference back to Asquith. Professor Blackburn goes on to say:

"In an ideal democracy it may be that there should be elections as frequently as possible—even annually as supported by the Chartists in the eighteenth century".

The hon. Member for Great Grimsby (Austin Mitchell), who is present, has tabled an amendment proposing a period of three years, and we could refer back to the Chartists, so it is clear that these arguments were not unfamiliar at different times in the history of this country. There was an argument that we should have annual elections; that was a powerful movement in the early 19th century. It was thought that Parliaments and Governments must not move too far from the opinion of the public and the electorate.

Tristram Hunt: Professor Blackburn's speech is particularly interesting, because he goes on to say—*[Interruption.]* Well, I will let the hon. Gentleman read it out then, because the key point is in the following paragraph.

Mr Shepherd: I have lost my place as a result of the hon. Gentleman's intervention, so let me recap what Professor Blackburn said:

"It was the period expressly approved of as being normal in practice, when the Parliament Act set the period of five years as a maximum. In an ideal democracy it may be that there should be elections as frequently as possible—even annually as supported by the Chartists in the eighteenth century—but a government must be allowed a sufficient period of time in which to put its programme of public policies into effect before submitting its record of achievement, or otherwise, to the voters. Three full legislative sessions, and certainly four, is sufficient for this purpose."

I believe that that is correct.

Chris Bryant: I agree with the point made in that quotation; indeed, I was going to refer to that passage in my speech. For the sake of accuracy, however, I should point out that the Chartists were really in the 19th century, not the 18th. I hope that that does not invalidate the historical record.

Mr Shepherd: What a trivial point, but I thought I had said the 19th century. I stand corrected if I did not, and I am sorry if I misinformed the Committee. *[Interruption.]* No, I do not think I was quoting at that point. *[Interruption.]* I said the 19th century, I think. I am well aware of that fact; it was part of my own training.

The central issue, however, is the legitimacy of Governments and the determination of what is the right period for enabling the people to have a view, and control, over the Crown as represented by the Government in this place.

Mrs Anne McGuire (Stirling) (Lab): I apologise for interrupting the hon. Gentleman. I can see from his face that he is not particularly happy about it. However, may I ask him to make his position clear? Does he feel that there should still be flexibility in the calling of elections, or does he support a four-year term? I am a little confused as to where he is taking his argument.

Mr Shepherd: I am sorry if that is the case. I am speaking in support of those amendments that call for a four-year Parliament, as opposed to the Government's position, which is that there should be five-year Parliaments. I accept, of course, that Governments face exigencies. We well remember that Mr Blair postponed an announced date of an election because of a nationwide country alarm over foot and mouth disease. There has to be an element of flexibility for such circumstances. War would clearly alter the schedule for elections too, and Parliament has within its means the ability to extend the period at such times, because this is the sovereign body for the United Kingdom. That point should be borne in mind: however much I may rejoice in Scotland and the Scottish Parliament, in Wales and the Welsh Assembly, and in the arrangements in Northern Ireland, the Westminster Parliament is the fount of the authority under which national elections for this place are held. Therefore, although the House should bear in mind any exegesis on inconveniences, ultimately it is for those of us who are sent here by the people to represent them to decide what is in the interests of the United Kingdom as a whole in the formation of a Parliament that holds to account the Government whose Members sit on the Treasury Bench in this House. That is all; I am, in truth, making a very simple argument. I think four years is more appropriate than five. That is what this is about. I think there is sufficient flexibility.

I have cited certain authorities, such as Professor Blackburn and Asquith. I do not want the argument to be lost to a lot of academic writers, however. Professor Hazell at University College London is a former civil servant; he worked in the Cabinet Office. I want to hear about the great constitutional writers who informed past debates, but that is singularly missing when this House comes to discuss what is right. We do not talk about the experience of previous times.

What is the reasoning behind this clause? It appears to suit the personal convenience of a coalition. Most people I meet see and understand that perfectly well. Why would we support such a measure if we are representing the people and the interests of this House of Commons? That is the burden of the arguments I am putting forward for a four-year term rather than five years.

I also want to repeat that I regret that the Government have made no case for five years. That has been a major omission in all these constitutional debates. They assert, without authority or reference to anything, that the needs are such that five years is somehow a more suitable period. By and large, I do not believe in international comparisons, but I note that most modern democracies—the United States, for instance, with its 200-year-old constitution and President—work to a four-year cycle in determining who is to be their chief executive. The United States works to a six-year cycle, with third terms, for the Senate, and a two-year cycle for its equivalent body to our House of Commons. Our tradition has been different.

Mr Mark Field: Does my hon. Friend not appreciate that if we are to have a fixed-term for this Parliament, five years is the only acceptable period? If any other term had been proposed, that would have been felt to be entirely cynical. Is not my hon. Friend's argument essentially that these changes should be put in place only for future Parliaments? We were all elected on 6 May on the basis of a set of rules for getting rid of a Parliament and for the terms and duration of it. These proposed measures for fixed-term Parliaments should take effect for future Parliaments; they should not bind this one.

Mr Shepherd: I was elected under the law as it then stood, and I expected that the length of term in place at the time would apply. I also expected that any Prime Minister would make decisions in that context. As well as my question of the relationship of the electorate to the House of Commons to the Executive, there is another that hangs over this entire argument: why do we need any of this? What improvement does it bring to the current position?

6 pm

Mark Tami: Does the hon. Gentleman agree that neither Front-Bench team argued the case? I cannot recall anybody having argued for a five-year term, apart from now, when it is convenient for the coalition parties to wed for this period of time.

Mr Shepherd: The proposal suits the Government for their own purposes, and that is why the nation at large is cautious, as are many Members on both sides of this Chamber.

Mr William Cash (Stone) (Con): Does my hon. Friend appreciate that many of us may well be cautious, because although we are concentrating on the question of a fixed-term Parliament, when we move on we will be examining the question of an early general election and questions of confidence—confidence in whom and for what? We will also deal with whether such questions should be decided by a simple majority or one of two thirds. These hugely important questions go straight to the heart of the future of this Parliament.

Mr Shepherd: My hon. Friend is, of course, right. This is a hugely important constitutional Bill and we should not doubt that. Every commentator of any serious worth has noted that this is an enormously important constitutional issue and we will try to tickle out its ramifications, including for parliamentary privilege, within our very tight timetable. What he says is true and just, and we should listen to it.

Neil Carmichael (Stroud) (Con): I note my hon. Friend's observations about America. Of course, its terms really are fixed: the Senate cannot alter its six years, the President cannot alter his four years and Congress cannot alter its two years. What we are saying, which is consistent with the Parliament Act 1911, is that five years would be the expected norm. As my hon. Friend the Member for Stone (Mr Cash) notes, at least two mechanisms could bring an end to a Parliament should this House decide, so we are stopping the Prime Minister from having an election early for expedient purposes. Instead, we are saying that there should be a five-year term, as suggested in 1911 and as used by several Parliaments afterwards—

The Second Deputy Chairman of Ways and Means (Dawn Primarolo): Order. Interventions are supposed to be brief. I think that Mr Shepherd has got the gist of the point.

Mr Shepherd: I make the gentlest of suggestions to my hon. Friend that he misleads himself. I provided the quote from Asquith which set out the position as the House then understood it, and it has turned out, by and large, to be correct over the intervening years. I do not want so to close down the options of this House that when a Government fail or cannot command a majority there is not a general election, as such an election is necessary for the public will. However, as the long title makes clear, we are looking at a Fixed-term Parliaments Bill and the suggestion on the table is for the term to last five years. I do not understand where my hon. Friend is coming from if he thinks that in 1911 the proposal was for a full five-year term—it was not.

Andrew Bridgen (North West Leicestershire) (Con): This is a most intriguing debate and my hon. Friend speaks with great passion and impartiality about these important matters. Surely this Parliament can opt for a five-year Parliament but it cannot bind future Parliaments. Should those Parliaments wish to change the arrangement, they will be able to opt for a four-year or a three-year Parliament, or whatever they should wish for at the time.

Mr Shepherd: But the options are closing. This measure is part of a constitutional package. We passed a piece of legislation that may introduce a new electoral system and that may ensure that no one party has an overall majority in the future, so to say that we are able to change something will be a matter of great negotiation across the Floor of the House. That is why I am very cautious about accepting changes to established norms and constitutional practice as we have experienced it over my lifetime and since 1911.

Pete Wishart: The hon. Gentleman talks of Asquith, but may I bring him up to date with perhaps a less illustrious modern Liberal, the Deputy Prime Minister? Does the hon. Gentleman agree that this measure is all about survival? It is about a Liberal deal to try to get this coalition through and not at all about any great, grand constitutional reform. It is about the survival of the Liberals in this Government.

Mr Shepherd: We all draw our own conclusions, and I suggested something. What we are clear about is that the Deputy Prime Minister has just repudiated Liberal Democrat—as they now call themselves—fixed positions on two Bills. The first was the voting system, and the Liberals are doing the same on this measure; they had a fixed position but it is gone. We ask what the motives are, but there is no point in my attributing motives—the world and its wife will do that for us, so we do not need to worry about it.

What we want to maintain is the constitutional right of the people we represent and the balance of power within this Chamber between the Opposition and the Government, and between Front Benchers and Back Benchers. All that is now at risk and has been for a long time. We have to have that respect in ourselves back in this House; we have to believe that we can talk to Government freely and frankly. The purpose of my speech was, in part, to create a debate, rather than just to make a statement of fixed positions, because the calibration of each Member of Parliament is an important right in itself. This House must find that when dealing with something that most of us have not experienced before: a coalition. One party of that coalition took no part in the negotiations that formed what I call the "image of gold" but what is known as the coalition agreement; no one on my side formed that, other than those who are now in the Executive. So this matter is very difficult and very sensitive, which is why people are very delicate about it. However, we are now dealing with the substance of our old constitution and the merits of that, and it is its merits that I believe are stronger than the proposals put forward by the coalition.

Austin Mitchell (Great Grimsby) (Lab): I rise to speak to amendments 7 and 8, which stand in my name and ask for triennial Parliaments. That makes me feel positively like a constitutional Trotskyite, coming forward as the blazing radical in this song and dance for a five-year or four-year term. Amendment 11, which proposes a four-year term, is perfectly acceptable as it is a good amendment. The hon. Member for Aldridge-Brownhills (Mr Shepherd) quoted from Asquith's powerful and effective speech. I was going to refer to it at length, but I shall not now do so because he has given us it pretty well in full. That speech set out that in legislating for five-year terms the then Liberal Government were actually saying that the expectation would be for earlier elections, so that was to be a maximum term, not the norm. The provision before us attempts to create a norm of five years.

Andrew Bridgen: Would the hon. Gentleman just remind the House how long the previous Parliament ran for?

Austin Mitchell: If the hon. Gentleman bides his time a little, I shall deal with exactly that point. He is making the very sensible point that bad Parliaments last for five years and Governments in precarious or disastrous situations try to hang on for as long as possible. That perhaps indicates why he is not going to support this Bill: it is an indication that his Government are going to try to hang on for as long as possible—for five years.

Neil Carmichael: At least one manifesto that has come to my mind was entitled "The Next Five Years"; I believe it referred to 1959 to 1964, and so it turned out to be. So at least then the norm was five years, and there really are more normal expectations of that than meet the eye.

Austin Mitchell: Again, that was because the then Government were hanging on, as Macmillan was replaced by Sir Alec Douglas-Home. They had to hang on to the bitter end, which was October 1964, because they were disastrously placed in the polls. That is another example to support my argument, which is that bad Governments want the maximum. This Government are a bad Government and they are trying to legislate for the maximum—they are trying to set bad practice in concrete.

Mr MacNeil: As I listen to the hon. Gentleman, I wonder whether cause and effect are a bit mixed up. One complaint that we have had in the past is about the Government holding an election at a time of their choice when they feel the runes are looking good for them rather than fixing the democratic process in some way so that the gerrymandering of polity and of the

[Mr MacNeil]

climate in the country could not happen. The idea of having a fixed Parliament is exactly that. It is best fixed at four years, I think—the hon. Gentleman thinks that it is best fixed at three—but the problem in the past has been that it has been for five years and was then cut short. It is not the length of time that makes a Government bad; it is just that bad Governments run out of time but would keep going for six or seven years if they possibly could.

Austin Mitchell: I accept that point. The argument for fixed terms used to be that Governments would manipulate the economy to suit their own purposes and would go to the country when it suited them. Now Governments are so disastrously buffeted by economic circumstances that they will seek to hang on as long as possible.

Neil Carmichael: How bad does the hon. Gentleman think the Attlee Government were from 1945 to 1950?

Austin Mitchell: In fact, they created the—

The Second Deputy Chairman: Order. First, it is not necessary for the hon. Member for Stroud (Neil Carmichael) to wave—he simply has to stand up. Secondly, can we stay within the scope of the amendments? I think the Attlee Government might be a little wide of them.

Austin Mitchell: The second Attlee Government lasted from 1950 to 1951. However, that was an attempt to detour me and I do not want to be detoured down all the happy little roads that Government Members would rather turn us into.

I think that four years is perfectly acceptable. It would be good and I would be happy to support—indeed, I will support—that amendment. Three years would be better. It is not a downward option—it is not like the old programme that Yorkshire Television used to do, so that we go five, four, "3-2-1". I will not go as low as the Chartists' demand for annual Parliaments; I am staying at three. Around the world, a pattern can be seen—the more democratic the society and the polity, the more frequent and regular are the elections. I would put at the head of that democratic tree Australia and New Zealand, which have three-year Parliaments that work happily. I used to write about New Zealand that if there was a seizure of power by the Chinese Communists, New Zealanders would still be standing outside the polls in November of every third year ready to vote because they have the conditioned habit of voting. It is a good conditioned habit and three years is a good term.

Ian Lucas (Wrexham) (Lab): Is not the important point about this Bill the fact that it is a five-year Parliament Bill?

Austin Mitchell: Yes.

Ian Lucas: That is the key issue for the Liberal Democrats and the Tories. They do not care whether it is a fixed Parliament or not, but it has to be five years in order to preserve their political position.

Austin Mitchell: I agree entirely. I am sorry to have interrupted my hon. Friend's intervention with the answer to the question, but that is right. This is an arrangement by two parties seeking to hang together, to bind themselves to each other and to carry on for five years. There is no system of constitutional thought or political theory—it is sheer, simple opportunism.

Tristram Hunt: I am grateful to my hon. Friend for giving way. The hon. Member for Aldridge-Brownhills (Mr Shepherd) did not give the key quote from Professor Blackburn, who said:

> "It is likely that the Coalition's concern with concretising its political alliance, and having the longest period possible in which to implement its tax increases and cuts in public expenditure and then recover sufficient popularity in time for its next meeting with the electorate, has affected its judgement in this matter."

Is it not politics that is driving this rather than any grander constitutional vision?

Austin Mitchell: As an ex-academic, I find that the best way of alienating the House is to quote other academics, so may I just say yes to that question and move on?

I was making the point that around the world, the most democratic polities—I gave Australia and New Zealand as the examples—have more frequent and more regular elections. The less democratic polities have longer spaces between elections—witness the French presidential system, where it was seven years, or the old British constitution when it was an oligarchical system with seven-year terms. This is an issue of basic democracy.

The measure is not an attempt to think about the constitution and to reform it along sensible lines; it is a political fix. The Government have just gone for the longest time they think they can possibly get away with. That is it. They want the coalition to be bound together, nailed together and stuck together for five years and they hope that they can do that with this measure. They are entrenching bad practice. Most Governments in this century have gone for shorter terms than sitting out the maximum. As I said earlier, it is only the bad Governments—the failing Governments—who have gone right up to the buffers. Governments who are in a mess cling on because they are deeply unpopular.

6.15 pm

Alec Shelbrooke (Elmet and Rothwell) (Con): On the specific point that it is always a failing Government who go the five years and cling to power until the last before leaving, I recall that the 1987 to 1992 period resulted in the same party being returned.

Austin Mitchell: I am baffled—I mentioned Governments in a mess and a Government Member stands up to tell me that the mess was bigger than I thought it was. Is that the point he is making? My point is quite simple. There are deeply unpopular Governments—Governments in such a state as this Government have reduced themselves to in six short months—who hang on to power.

Alec Shelbrooke: The hon. Gentleman refers to a Government reduced to the state that this Government are in. They are easy words, but will he clarify his comments?

Austin Mitchell: Falling behind in the polls, implementing unpopular measures, failing and visibly disagreeing with each other—is that not a description of the coalition Government at present? They have achieved that after six months. It took John Major's Government more than four years—certainly within five—to reach the state that this Government have reached in six months. That is my point. Governments in that situation normally try to hang on. The two examples that I would give are the Major Government, which went right to the buffers, and my own Labour Government this year, which should have gone to the country in 2007, when a new Prime Minister took over, but hung on hoping for better things that did not come.

Neil Carmichael: May I just say that this debate has nothing to do with changing the Prime Minister during the five years? That is not in the Bill at all. We are discussing the length of the Parliament.

Austin Mitchell: I see another detour on the route map so I shall not go down that road. I had my own proposals once for a maximum six-year term for Prime Ministers. The current Prime Minister said during the course of the election that if the Prime Minister changed, there should be an election within six months of that change—something that seems to be missing from the Bill but which may have been relevant.

The Government are trying to entrench bad practice in this Bill and our amendments—mine for a very democratic three years and amendment 11 for four years, a sensible and statesmanlike version of my democratic stirrings—are trying to stop them doing so.

Andrew Bridgen: The hon. Gentleman talked about bad practice. Does he agree that an example of the worst sort of bad practice was the farce that was the autumn of 2007 and the election that never was?

Austin Mitchell: I just said that it would have been sensible had the Labour Government gone to the country in 2007—not only because we would have won, but because it was good and it would have been right to ask for a new mandate for a new Prime Minister. The Labour Government made a mistake and in consequence they hung on too long towards the end. I cannot see that I can break down and make any more confessions in the Chamber. That is an assessment of political reality. That is what Governments who are in difficulty do—they hang on—and that is what the Bill seeks to entrench.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): My hon. Friend is making some very good points about Governments hanging on for five years, but is not the crucial point that if all precedent and practice in this country are for four-year Governments, and four-year terms for other directly elected positions, the Government need to advance a strong case for extending the period to five years? They simply have not done that; indeed they refuse to do so. Is that not what we should consider today?

Austin Mitchell: I agree absolutely, but that argument relates to amendment 11, which seeks four-year terms, whereas I am arguing for more democratic three-year terms, so I must have a more radical argument than the statesmanlike argument that we have just heard. We should all ask ourselves where the five-year period comes from. Where have the Government plucked it from? What is the inspiration behind the Bill? Perhaps we could have some explanation of why a five-year period has been chosen. It was not in the Conservative party manifesto.

Mrs Eleanor Laing (Epping Forest) (Con) *rose—*

Austin Mitchell: Ah, perhaps we will hear an explanation.

Mrs Laing: May I suggest that it comes from the current law that a Parliament can run for five years?

Austin Mitchell: And trains could run on time, but they do not always. If the hon. Lady had been here for the speech by the hon. Member for Aldridge-Brownhills, she would have heard the answer: five-year terms are the maximum, but the expectation is that Governments will go to the country sooner. Most do go sooner because that is sensible practice, which is what the amendment seeks to install.

Mrs Laing: I am afraid that I have to disagree. There is no expectation that a Parliament should run other than for five years. In the past century, there have been some five-year and some four-year Parliaments. There is no such expectation, but there is a law and it says five years.

Austin Mitchell: It says up to five years, and the Government are seeking to make five years the compulsory length of a term, so far as they can entrench that in the constitution. Had the hon. Lady heard the preceding debate, she would have realised that, historically, most Governments have gone to the country before their five years were up.

Alec Shelbrooke: That is all very well and good, but the hon. Gentleman is overlooking the fact that, for the first time, Parliament, and not the Prime Minister, will have the power to dissolve Parliament.

Austin Mitchell: Parliament will have the power to dissolve Parliament on a two-thirds vote, I think, in this ludicrous legislation, so I am not quite sure what the hon. Gentleman is saying. I am saying that we should legislate for three-year Parliaments, which would be sensible, and I am asking where the five-year term has come from. How did it come into the heads of this Government? Did it spring fully armed from the head of the Prime Minister?

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): Will the hon. Gentleman give way?

Austin Mitchell: I have taken enough interventions for the time being. I want to make a few points of my own instead of being forced to respond to questions about hypothetical situations that I have not dealt with.

The Conservative party did not mention fixed-term Parliaments in its manifesto, but we did: Labour had a fixed four-year term in its manifesto. The Liberals, insofar as they had a position—they always have a lot

[Austin Mitchell]

of contradictory positions—had what the Deputy Leader of the House said when he was their spokesman on constitutional affairs, when he urged four-year terms. Perhaps he has had a message from the new leadership telling him to rescind his speeches from when he was the Liberals' constitutional affairs spokesman. Will he listen? I know that he is very comfortable on the Front Bench—he is built for it—but there is no need for him to change his views on this issue so radically and dramatically as he seems to have done.

So the Liberals wanted four-year terms, the Conservatives had nothing about it in their manifesto and I argue that five-year terms are too long. I agree that we should have had an election in 2007. That would have meant the Labour Government going much sooner. Why am I proposing three-year terms? The Executive always want longer terms, because they want to be in power for as long as they can and because longer terms allow more time for more mistakes and for tough measures to hit the people. There are certainly some tough measures coming from this Government, which might be why they want a five-year term. Regular and more frequent elections hand power back to the people, which is what the people want. They want us kept on a shorter leash. That is what the feeling of hostility to politics, Parliament, parties and politicians that built up last year indicated to me. Triennial elections would certainly keep us on a shorter leash because we would have to go back to the people more regularly. They are suspicious of us; they think that we are out for ourselves and they want to control us more effectively.

Mr Stewart Jackson (Peterborough) (Con): The hon. Gentleman is being customarily generous in giving way. Does the experience in the congressional elections in the United States not show that their two-year terms mean that members of Congress, once re-elected, are constantly considering fundraising, canvassing and campaigning for their re-election, thereby undermining the electorate's faith and trust in them?

Austin Mitchell: The US House of Representatives, which is the equivalent to our House, has a two-year term, which is very democratic, but I am proposing a three-year term, which would cause us to go back to the people much more regularly than we do now. The people want to be heard. An outstanding feature of our democracy as it has developed is the people's desire to be listened to by this place, which they so angrily asserted in 2009. It is frustrating for people to feel that we do not listen. What better way is there of consulting the people? We should do it not through polls but through regular elections, as in Australia and New Zealand, where three-year terms work very effectively.

The people want us to be accountable, and more regular elections are the best way of keeping us accountable. Elections bring a great renewal of energy and contact with the people. They are great for concentrating our role of representing them and voicing what they want in this place; they recharge the batteries. More frequent elections would make us more vulnerable, more amenable and more prepared to listen to the people because we would have to be out there every three years listening to and meeting people and persuading them in a way that is not provided for anywhere else in our system.

This House is a great hiding place: the longer we stay here between elections, the more out of touch with the people we get. They want us to be more accountable and to listen more and they want more frequent contact. We cannot dodge that responsibility or say that reasons of statesmanship or coalition politics require us to stay hiding in this place, out of touch with the people, for five years. The condition of our being here is that we need to renew that contact as regularly as possible.

I seem to have been here for so long that I could have come in with that Asquith election victory that led to reform of the House of Lords in 1910, but I began my political career by dreading elections because one has to go out and force oneself on people and they may not want that. One has to leap up to them with a handshake and a fixed grin. One has to give them one's opinions, listen to them and ask them questions—talk to them. That was a nervous ordeal for me and I was terrified, but over time I have come to like elections more and more, particularly if I win. That is another reason why I would like more frequent elections. They are a form of renewal and of contact with the real world that we do not otherwise get in this place.

Nicky Morgan (Loughborough) (Con): It is very entertaining to hear about the hon. Gentleman's campaigning techniques and fixed grin, but would three-year terms not simply promote short-termism? One thing that the electorate do not want is short-term thinking in their Governments and politicians. They want them to take the right long-term decisions for the good of the country.

Austin Mitchell: And what happens now as Governments sit in power for up to five years? They tremble at what the *Daily Mail* says to them about the angry middle classes, they fear what *The Daily Telegraph* says and they are denounced by the *Daily Express*. That kind of jelly-like impact is something that I want to avoid. Let us not listen to what the *Daily Mail* tells us the people think—let us listen to the people. Let us go back and listen to them more frequently, because their opinions are honest. They are not distorted for some party political purpose by a newspaper like the *Daily Mail* or *The Daily Telegraph*, which caused my Government and cause this Government to quake. Let us listen to the people and not to those who arrogate the voice of the people for their own purposes.

6.30 pm

Elections bring us into contact with a section of the electorate that cannot speak through the *Daily Mail*, *The Daily Telegraph* or the *Daily Express*—the deprived, the poor, the unemployed. Our job is to serve those people, and elections are a means of renewing that contact, which is difficult to maintain with the parliamentary week, the legislation before us and the burdens of this life. Elections send us out to the people—all levels, all ranks, all types of people. We are open and exposed, we are there to answer their questions and to talk to them, listen to them and discuss with them.

That is why elections should be more frequent. They are basic to the democratic process. They are not a David Dimbleby-fest, a David Butler-fest or a psephology-fest—a calculation of figures. They are a people-fest.

Mr Jackson: The hon. Gentleman is always entertaining, and I pay tribute to the fact that on the day the Labour party lost a 22,000 majority in 1977, they returned the hon. Gentleman in Grimsby, but will he tell the House how many people in the Dog and Duck in Great Grimsby have said to him, "I won't vote for you, Mr Mitchell, because the term will be five years instead of four "?

Austin Mitchell: None, but perhaps people will not vote for a candidate because he is too old and might not last a full term. The hon. Gentleman is right to say that the issue is not frequently raised, but there is a feeling, and there was at the end of the previous Government and at the end of the Major Government, that the Government have gone on too long. That is what I want to avoid.

There is a feeling among the public that they want us to go back to them more frequently. They want to meet us more frequently. They want us out there in the streets, canvassing more frequently. That is why I say that more frequent and regular elections are basic to democracy. They put the people in power and they make the politicians prostrate before the people. The people can tell us what they want, and that is what it is all about.

The role of the House, as the hon. Member for Aldridge-Brownhills said, is to hold power to account—to hold the Executive to account. We do not do it very well because, with a party majority, the Executive and the Prime Minister drive a steamroller through the House. Mrs Thatcher would shout down at us "Get out of the way," and we would tremble. With John Major, the steamroller wandered all over the place, but the Executive are still powerful.

The only real way of holding power to account in this country is to put it before the people more regularly in triennial elections and give them the power to throw the rascals out—give them that choice every three years. That is basic to democracy.

Mr Shepherd: And does not the Front Bench demonstrate the point that the hon. Gentleman is making? There is not one Cabinet Minister in attendance on an issue of constitutional principle. There is no one arguing or representing the Administration in a proper sense on a major Bill. As he well knows, I respect the Parliamentary Secretary, Cabinet Office, the hon. Member for Forest of Dean (Mr Harper), but the point is made.

Austin Mitchell: I accept that point from my hon. Friend. It is a shame that even the Deputy Leader of the House has gone out to check whether he supported four years when he was a constitutional affairs spokesman—or was it three and a half? He is probably on his BlackBerry now, checking the figures. It is demonstrably wrong that a Government should propose to the House a basic alteration to the constitution, which has enormous constitutional repercussions and which has not been discussed or properly assessed or pre-digested, force it though by a party majority, and not bother to attend the debates to speak in favour of it.

Jim Shannon: The hon. Gentleman has clearly outlined the need for the democratic process to operate over a three, four or five-year period, but does he agree that there is something wrong with such a Bill coming before Westminster without consultation with the Northern Ireland Assembly, the Welsh Assembly or the Scottish Parliament to have their view on the process, so that we can all have a democratic say about what happens?

Austin Mitchell: I agree absolutely. That is the best indication that this is a constitutional fix, a coalition deal, a rather squalid political manoeuvre, rather than a matter that can be discussed and presented to Northern Ireland, Scotland and Wales and discussed with the legislatures there, because it has repercussions for them as it does for us.

I had better come to a conclusion. The conclusion is simple: three-year Parliaments would give the people the power that they need and want not only to keep us accountable, but to throw the rascals out—throw out the Government if they do not like them—every three years. I hope it is a power that they can exercise sooner than May 2015 on the present lot.

Andrew Percy (Brigg and Goole) (Con): I shall make a short contribution. I have a great deal of sympathy with the amendment tabled by the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) for a four-year term. I am not quite so enamoured with the idea of three years, and I shall say something about that in a moment.

However, I could not agree with the manner and the tone of some of the contributions in the past hour or two from the Opposition Benches. Silly comments about Con-Dem Governments, political posturing and so on are not helpful to an important debate about the constitution of this country. I do not believe for one moment that any kind of dodgy, underhand dealing is going on.

Mrs McGuire: If the hon. Gentleman repudiates that intention, why was there no attempt to reach a cross-party consensus on a major constitutional Bill?

Andrew Percy: I am just a lowly Back Bencher. I cannot answer that question, but the right hon. Lady has made her point and no doubt Ministers will respond to it when they come to the Dispatch Box.

It is important to remember that the subject of the Bill is not one that electrifies the public. We are all in agreement about that. In the Dog and Duck they do not talk about it. In my village the pub is well known—the Percy Arms—and the topic does not come up a great deal there. It is not something that people are talking about or that is tripping off people's tongues, but that does not mean it is not important. It should be debated properly. Perhaps that is a partial response to the right hon. Lady's point.

I have been staggered by some of the comments by Opposition Members—the feigned outrage about a five-year term. Many of them were in the previous Government over the last five years—*[Interruption.]* Sadly, the country knows what it was like as well. I want a four-year term because the experience of the last Government, and perhaps earlier Governments, shows that a five-year term is not necessarily in the best interests of the country. Governments generally expect to go to four years, although there is no requirement for them to do so. When they have run to five years it is usually because they have known that they were about to be

[Andrew Percy]

booted out by the electorate. We thus end up with a year of incredibly poor decision making, and this Government have to deal with the consequences of the appalling decisions taken in the last year of the Brown Government.

Alec Shelbrooke: On my hon. Friend's point about Governments campaigning in the last year, one of the things that I find most disturbing is the premise that in a five-year Parliament, Members take no notice of their constituents until the last year. That may explain why the majority of the hon. Member for Great Grimsby (Austin Mitchell) fell to just 714.

Andrew Percy: I hope that politicians on all sides take notice of their electorate at all times. The problem with going to a three-year term is that they may take less notice of their constituents and a great deal more notice of the newspapers. Given that Governments tend to be most responsive to newspapers in the last year or six months before an election, the risk with a three-year term is that the Government would be beholden to the newspapers and chasing headlines for the entire term of office.

On the clash of elections, I have sympathy with those representing countries with devolved Assemblies. I would not want a Welsh Assembly election or a Scottish Parliament election on the same day as a general election, but it is a bit inconsistent for some on the Opposition Benches to suggest that a clash of elections is always bad news, because they deliberately arranged for that by holding European and local government elections on the same day, using two different voting systems. However, that is best avoided. I accept that the case for a general election is a little different and that a general election should be held separately from the elections in the devolved regions.

I have no academic or study to quote on the four-year term; I just feel in my gut that it is the right length of time for a Government. A four-year term is better because it would fit with local government elections and devolved assemblies. The Canadian Government changed from five to four years a couple of years ago, and we have heard about the three-year terms that exist in Australia and New Zealand. For me, four years would be a more appropriate term for us to be in office. There is an acceptance that after being in power for five years, we tend to be a little too detached from the electorate, and consequently end up making bad decisions. However, I cannot support the three-year term proposed by my near neighbour, next door but one, in Great Grimsby. That would throw us into a perpetual state of elections. It is often said about US congressional elections that American Congressmen are in a perpetual state of election, which is why they have so many earmarks and pork barrelling; they have no sooner got themselves to Washington DC than they have to run back to their electorates to try to gain election.

Mr Stewart Jackson: My hon. Friend refers to the American political system and reiterates my earlier point, but is it not true that at the other end of the scale US Senators, who have a six-year term, can take a broader view of, both national and international issues? Very few people say to an experienced American Senator that they are past it or clapped out, or not thinking of the good of the country because they are in their fifth or sixth year.

Andrew Percy: The problem with the American Senator term is that a third of the Senate is elected every two years, which means that they, too, are in a perpetual state of elections, so that idea does not carry over completely.

The other experience of more regular elections is that there tends to be a greater propensity on the part of the electorate to re-elect their incumbents. As I am now an incumbent, that is not necessarily something that I would take issue with. I suspect that all hon. Members would be happy to see incumbents re-elected—*[Interruption.]* Well, yes, perhaps their own incumbency re-elected. I was particularly intrigued by the comments of the hon. Member for Great Grimsby that elections offer the opportunity for politicians to recharge their batteries. That is certainly not an experience I have ever had in an election campaign.

Graham Stringer (Blackley and Broughton) (Lab): Are not comparisons with the Congressional elections inappropriate, because Congressmen, by and large, manage to insulate themselves from the electorate because they do not have independent boundary commissions but negotiate their constituency boundaries so that 85% of the seats are safe? Therefore, there is no real comparison; when they go to face the electorate most of those Congressmen know they are going back.

Andrew Percy: I was involved in that in New Jersey in 2000. Such matters were determined on a state-by-state basis and depended very much on who was in control in that state. It is not quite the case that Congressmen themselves are busy dividing up their own seats, but there are examples where that happens.

I conclude where I started. For me, a four-year term feels more natural. As I said, I have no academic support for this argument. To go to the electorate every four years, which fits in properly with the elections in Scotland and Wales, feels the right thing to do. I have a great deal of sympathy with the amendments and I look forward to the comments of Opposition Members who, having enjoyed a five-year term, now seek to criticise the Government for seeking to continue them.

Chris Bryant: I congratulate the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) on advancing his amendment before I got to the Table Office when I would have tabled exactly the same amendment. His alacrity is in the interest of the whole House, and he is right to have tabled his amendments, as I hope to lay out.

I also congratulate the hon. Member for Aldridge-Brownhills (Mr Shepherd), who always speaks with an independence of mind, which compliments both the House and his electors. He is right that this is about the entrenchment of Government. This measure is not proposed because there has been some grand constitutional convention that has consulted the country about the appropriate length of the Parliament and has consulted academics or voters; it is simply here to entrench this Government at least until May 2015. That is primarily why it exists. The hon. Member for Brigg and Goole

(Andrew Percy) said that he felt—I was not sure whether he said in his waters or in his guts—that four years was better than five, and he is absolutely right. If one looks at the contributions made by most constitutional experts, as the hon. Member for Aldridge-Brownhills asked us to do, all have said that four years is a better term than five. It is also right to say that the process that has been gone through for the Bill is inappropriate.

6.45 pm

The Government have often said that in the first Session of a Parliament it is difficult to consult on Bills, because Parliament suddenly needs something to discuss. My argument would be that that is not the time to bring forward constitutional Bills. There may be legislation on other matters which has been well adumbrated in manifestos and well discussed, but it is wholly inappropriate to proceed with constitutional Bills without pre-legislative scrutiny and some attempt to bind together all the political parties so that there is an agreement that this is not just a settlement for one Parliament or for five or six years, but one that will stand the test of time and last several decades.

The hon. Member for Stroud (Neil Carmichael) said that this is a good idea because it will prevent the Prime Minister from being able to choose the date of the election. That is not true. The Bill makes it clear that the Prime Minister will always choose the actual date of a general election. It is perfectly possible for the Prime Minister to make sure that there will be a general election, as laid out in clauses 1 and 2, because Prime Ministers can, if they wish, engineer a vote of no confidence, precisely as happened in Germany in 1982 under Chancellor Kohl, and in 2005 under Chancellor Schröder. There is no reason why a Prime Minister should not choose to do that.

Neil Carmichael: Surely those points ram home the argument that five years is a good spell, because the hon. Gentleman has just admitted that from time to time we could break it and have an election earlier, but the norm would still be five years.

Chris Bryant: I will come on to why I think five years is an inappropriate length of time. However, I am grateful for the hon. Gentleman's comments. I will admit lots of things in this speech, but I will not admit what he has just told me to admit.

My argument is essentially that four years is a better term for a fixed Parliament than five years. A five-year legislative provision for a maximum length of a Parliament has served us not too badly and may well be okay, not least because it has meant in practical terms that Parliaments have tended to be more like four years, precisely as Asquith intended in 1911. But a fixed five-year term is overlong, and the main reason why we have that is that the Government want to continue until May 2015, which is an inappropriate use of constitutional reform.

The hon. Member for Brigg and Goole said that he was absolutely certain that there could not have been any underhand skulduggery. I think he was using irony, if not sarcasm, and irony does not always translate perfectly into *Hansard*. His Dog and Duck test is right. The vast majority of voters are not obsessed with the length of a Parliament, but they do know when a Parliament has had its day, and for the most part, by the time we get to four years in this country, certainly since the second world war, most electorates have started to say, "You know what, it's time we had a general election."

Alec Shelbrooke: First, will the hon. Gentleman confirm that there is no reason right now why this Parliament will not go to May 2015—it is perhaps just wishful thinking on the Opposition Benches—and, secondly, will he confirm whether his party supports fixed-term Parliaments?

Chris Bryant: Yes, I was just about to come on to the point that I wholeheartedly agree with fixed-term Parliaments. It was wrong for Conservative, Labour and, for that matter in the past, Liberal, Whig and any other kind of Government to be able either to cut and run, as the Deputy Leader of the House said in a sedentary comment earlier, or to choose to hang on until something comes along. It is better to have a fixed term.

Interestingly, in 1950, Stafford Cripps—your predecessor, Ms Primarolo, by I do not know how many—argued forcefully to Clement Attlee that there should be a general election before a Budget, because, if the election were held after, it would look as if the Government were trying to bribe the electorate, which would be wholly inappropriate.

Alec Shelbrooke: Those were the days.

Chris Bryant: Those were the days, eh? When high-mindedness ruled.

The point is surely that it should not be within the power of the Government to determine the rules. It is like the situation in which everybody is running a 100 metre race, but the starting gun is held by the person in charge, and sometimes he decides to shoot some of the runners instead of just starting the race.

Andrea Leadsom (South Northamptonshire) (Con): I agree that constituents reach the point at which they feel that the Government need to change, but does the hon. Gentleman agree that that is often in part because constituents are desperate for the Prime Minister of the day to announce a general election? Having such certainty to a reasonable extent will therefore obviate the need for constituents to wonder, "When is the election going to happen? When is the date? It can't happen soon enough." That certainty will surely improve the situation.

Chris Bryant: Yes, of course. The hon. Lady is right in the sense that constituents will not have to worry about the date of the election. In fact, newspapers and the BBC will have to employ considerably fewer journalists, because they will know the date of the general election and actually have to obsess about something else. However, the past 50 years have shown that, for the most part, once a Parliament has run for more than four years, either the Parliament itself is so fed up with the Prime Minister that it chooses to change the Prime Minister before holding a subsequent general election, or the country is becoming pretty fed up.

Mr Cash: Does the hon. Gentleman accept that, really, this is not a fixed-term Parliament Bill at all? I mean not to criticise but to ask him a question, because,

[Mr Cash]

contrary to what he says, the Government do not make all the rules, the House of Commons does. If the House decided to go for a confidence motion because it happened to be fed up with the Government in question, as it did over Maastricht, we could end up with the situation in which the Government lost control. Then there would be a general election, and there would be no fixed term at all.

Chris Bryant: That is right, but that is a point in relation to clause 2 and at the moment we are dealing with clause 1. *[Interruption.]* At the moment we are talking about clause 1. In fact, the Bill is not really a fixed-term Parliaments Bill, because it does not determine how many days it should sit within those five years; it is a fixed-term elections Bill: it determines when elections shall be. There are things that we need to change in relation to Prorogation and so on, and we shall come on to that at another point in the debate, but, for the most part in this country, after four years and often before, the mandate on which the Government were elected becomes pretty thin, and they start doing things—sometimes pretty unpopular things—that were not clearly outlined in their manifesto. The party or parties might have made all sorts of commitments before they went into government, but events come along or the Government suddenly discover things that mean they have to break those manifesto promises or commitments, and the longer that a Government go on after four years, if they do so, the more likely they are to undermine respect for Parliament.

Alec Shelbrooke: The hon. Gentleman, in his outrage, is almost saying that we are attempting to increase the length of a Parliament, but we could go to May 2015 as things stand in statute today. That does not involve extending the length of this Parliament. His other point is that Parliaments can run out of steam over five years, but that has been the problem of previous Governments, because they have governed in the short term, rather than for the long term and for the good of the country.

Chris Bryant: That is where there is a need for a balancing act, and that is why I do not support a three-year Parliament, which my hon. Friend the Member for Great Grimsby (Austin Mitchell) advocates, or a five-year Parliament. I support a four-year Parliament, which in most constitutions throughout the world seems to be the period at which people have arrived. The Government would have at least three good Sessions in which they could advance their legislative cause, and if they wanted to do difficult things in the first and second years but retain their ability to recover their position in time for an election after four years, they would be able to do so.

One of the other things that happens in government itself is that, after four years, a lot of people become pretty tired. That was certainly true in the previous Parliament, in John Major's Government and in Baroness Thatcher's Government, and, because of that concatenation of tired people, many more ex-Ministers no longer have an investment in the future and do not intend to stand at the next general election, so in practice attendance in the House is much lower during the last year of a five-year Parliament than in the preceding years.

Mr Stewart Jackson: The hon. Gentleman is being very generous in giving way, and he is making an engaging argument on a threadbare premise, if I may say so. Is not his argument essentially weakened by the fact that there is a mechanism to deal with an atypical event? I refer him to the controversy of 1979 over the Scotland Act 1978. That Parliament had been going for four years, and there was a vote of confidence on 28 March 1979. In other words, four-and-a-half years into that Parliament, the issue was considered of such import to the affairs of state and to the House that a motion of no confidence was tabled. Such a motion can still be tabled under this Bill. Therefore the value judgment between four and five years falls down. It would only really stand if the House had no capacity to dismiss itself and enter into a period prior to an election.

Chris Bryant: I have to presume, as does the House, that the Government will go through with all the various provisions that they have laid down in the Bill, and in clause 2 there are two provisions for an early general election: the first determines what happens if there is a motion of no confidence, although it does not say what such a motion is; and the second relates to a motion for an early general election, although it does not say whether such a motion would name the precise date of that election. The Government presume that we will need a two-thirds majority in the House to achieve an early poll, so on the Government's argument—and, if the hon. Gentleman is going to support the Bill as it is, on his argument therefore—the presupposition is that there will not be many early general elections. Indeed, the Bill, by trying to make it almost impossible to have an early general election, is much tougher than the vast majority of other constitutions that I have looked at throughout the world. That is another reason why four years is better than five. In fact, the hon. Gentleman has helped me to make part of my argument.

In relation to the intervention by the hon. Member for Elmet and Rothwell (Alec Shelbrooke), I believe that in practice the Bill will lengthen the Parliaments of this country. Since 1832 there have been 45 general elections: the average peacetime length has been three years and eight months, as the hon. Member for Carmarthen East and Dinefwr said; even including the lengthy wartime Parliaments of the first and second world wars, the average has been only four years; and, during the period when the maximum allowable duration under the Septennial Act was seven years, from 1832 to 1911, the average was three years and 10 months. In practice, by fixing elections as "every five years", we will lengthen Parliaments and ensure less frequent general elections.

Stephen Williams (Bristol West) (LD): Will the hon. Gentleman give way?

Chris Bryant: Of course—it is good to have a new entrant into the debate.

Stephen Williams: While we are discussing historical events, will the hon. Gentleman concede that some of those shortened Parliaments occurred because of the practice, which no longer exists, that when a monarch died, Parliament was dissolved?

Chris Bryant: In fact, looking through the list, that applies to remarkably few of them. It is absolutely true that there used to be the provision that there should be a general election on the demise of the monarch. That has not pertained for quite some time, however, and it certainly does not apply to any of the general elections of the 20th century.

7 pm

Ms Bagshawe: It is false to say, as the hon. Gentleman and many of his hon. Friends have said, that the aim of this Bill is to entrench the power of the Government. If the Government wish to remain in office until 2015, they need do absolutely nothing, as they already have that within their power. Does not some of the weariness in Government to which he referred—a salient point—come from endless speculation about the date of the election, as in the previous Parliament, dating from 2007 when the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) ascended to the prime ministership? *[Interruption.]* I am sorry for mispronouncing Kirkcaldy. If we know that there will be a fixed date for the general election, will not that remove the endless speculation that leads to weariness in Government?

Chris Bryant: Since the hon. Lady represents Corby, she should at least be able to pronounce the names of the Scottish parliamentary constituencies, as most of her constituents are Scottish. It is a great delight to see her joining us in the debate—we have missed her for most of it thus far.

Ms Bagshawe *indicated dissent.*

Chris Bryant: I apologise if the hon. Lady has been there and I have not happened to notice her—she usually sits closer to the Front Benches.

The hon. Lady's point is wrong. The main reason for large elements of the Bill, particularly in relation to when an earlier general election can be called, is the desire to keep the coalition together. That is why we had the options for 55% majorities, as originally proposed, and then 66%. It is the superglue element of the legislation, which is there wholly for cynical purposes to try to keep the coalition together. Otherwise, I suspect that there might be a point at which the leader of the hon. Lady's party might want to cut and run and get rid of her unpopular lightning conductor of a Deputy Prime Minister.

Mark Durkan (Foyle) (SDLP): Does my hon. Friend agree that this is not a fixed-term Parliaments Bill that will entrench anything in the system, but rather a "fix for this Parliament" Bill that merely represents the expedient and the ephemeral embracing each other to cope with the unexpected?

Chris Bryant: Yes, indeed. That would be the ultimate "Brokeback coalition", I suppose.

Neil Carmichael: I want to talk about the hon. Gentleman's statistics. Looking back at the previous century, we had two elections in 1910, elections in 1923, 1924, 1951, 1959, 1964 and 1966, and two elections in 1974. He cannot give us an argument based on an average. He needs to highlight the Parliaments that really mattered, most of which were Conservative ones, as opposed to trying to massage his argument by bringing in Parliaments of a few months or a bit more. Funnily enough—*[Interruption.]* I was about to finish.

Chris Bryant: Funnily enough, of course I can advance an argument that is based on the average length of Parliaments, because the practical experience of voters over the past two centuries is that Parliaments have not gone on for more than four years. Therefore, if we are going to fix it for the future that they will always go on for five years, the hon. Gentleman and those who wish to take the Bill forward without amendment intend to extend Parliaments and provide for fewer general elections—that is just a fact.

Only four Parliaments since 1945 have lasted roughly five years. In three cases, a change of Prime Minister had intervened in the meantime: the Parliaments from 8 October 1959 to 15 October 1964, when Harold Macmillan handed over to Sir Alec Douglas-Home; from 11 June 1987 to 9 April 1992, when Baroness Thatcher —she was not a baroness then, obviously—handed over to John Major; and from 5 May 2005 to 6 May 2010, when Tony Blair handed over to the former Prime Minister. In addition, the longest Parliament of all in this period was John Major's, which ran from 9 April 1992 to 1 May 1997. It is difficult not to argue that in each of those cases the electorate had wanted an election before the election was eventually held.

Mr Lee Scott (Ilford North) (Con): Does the hon. Gentleman think, by that measure, that the European Parliament should not have five-year terms and that they should be reduced to four years? If so, why was it not done when Labour was in government? *[Interruption.]*

Chris Bryant: You are telling me to deal with one Parliament at a time, Ms Primarolo, and I rather agree.

I have to say that I probably agree with the hon. Gentleman. However, that would require treaty change, and I do not know whether we would then end up with a referendum, which would be very difficult for the Government.

Mrs McGuire: I may have misheard my hon. Friend, but I do not think he included the Parliament of '74 to '79, which also had a change of Prime Minister when Harold Wilson handed over to James Callaghan. Even adding in that Parliament, only six out of 16 Parliaments since the second world war ran for five years.

Chris Bryant: Indeed. My right hon. Friend makes a very good point; she is right. I think that that Parliament ran for four years and seven months.

The second reason I think that five years is too long and four years would be better is that five years is longer, in practice, than applies virtually everywhere else, certainly within the European Union. Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden and Spain all have, for their lower Houses, fixed or maximum Parliament lengths of four years.

Alec Shelbrooke: What about France?

Chris Bryant: I am grateful to the hon. Gentleman for sitting there in his rotund way—*[Interruption]* I am sorry, orotund way—and providing me with the suggestion that I might refer to France. He is absolutely right, and I will indeed come to France. He might also have mentioned, orotundly, that Italy, Austria, Malta, Cyprus and Luxembourg have provisions for five years. It is worth pointing out that in Italy there have been 17 elections for its Camera dei Deputati since 1945, and only twice in that time has the Parliament run for the full five years.

Mr Cash: Will the hon. Gentleman give way?

Chris Bryant: Of course. The hon. Gentleman is very peripatetic this evening.

Mr Cash: I wonder whether the hon. Gentleman might take on board the fact that the systems of all the other countries in Europe that he has rightly cited are based on written constitutions. Does he accept that the virtue of the British system is its flexibility? Moreover, there is the example of 10 May 1940—the day I was born, as it turned out—when Chamberlain was effectively dispatched because he had completely failed and Winston Churchill took over. That was on the very day that Hitler invaded the lowlands. In other words, we make our decisions based on whether we in this House, on behalf of the people, decide that the Government have had their day.

Chris Bryant: The hon. Gentleman is, in effect, making an argument against the whole of the Bill, because he is basically saying that we should not have fixed-term Parliaments. *[Interruption.]* I am sorry—he is chuntering so I cannot quite hear what he is saying. However, I disagree with him. My argument is that if we are going to have fixed-term Parliaments, they should not be of five years but of four years, partly because otherwise we will end up having the longest-running Parliaments in the European Union.

In Italy, very few Parliaments have gone on for five years because the President has the power to suspend the Parliament early. In Austria, there have been even more general elections—20—although that country has had a fixed five-year term since the war. Malta has had 16 elections since the war, and only since 1998 has it stuck to the five-year period. Cyprus has had regular changes to its constitution for a whole series of different reasons, not least in relation to Turkey. Only Luxembourg has a fixed five-year term that it has stuck to since 1974. In all these cases—I thought that this is the point that the hon. Member for Stone (Mr Cash) was going to make—the elections are held on the basis of a system of proportional representation, where there is an expectation that Parliaments might fall rather more frequently because elections do not tend to bring in one party with an absolute majority of seats in the relevant House.

Andrew Percy: As interesting as the examples from Europe are, does the hon. Gentleman not agree that the countries that share our monarch and have exactly the same problems with prerogative powers and so on provide a better example of where we should be heading?

Chris Bryant: I will come on to them, and indeed they add to my argument, but I just wish to finish with France, for the further satisfaction and delight of the hon. Member for Elmet and Rothwell (Alec Shelbrooke). As I am sure he is aware, there have been 18 general elections to the Assemblée Nationale since 1945, which in large measure is because the President has the power to suspend the Parliament early if he wants to, and has frequently done so since 1945. The only restriction is that he cannot do that if he has already done so in the past year. In effect, therefore, there is not a fixed five-year term but a maximum five-year term, and elections have been held in October, November, March and June. In fact, the number of full five-year terms has been low. Again, that makes my point that a fixed five-year term for the British Parliament will mean that we have the longest Parliaments and the least frequent general elections of any country in the European Union.

As the hon. Member for Brigg and Goole (Andrew Percy) said, it is not just the situation in the European Union that should matter. Five years is longer than in any of the other Westminster democracies as well. As he and others have said, New Zealand and Australia have three-year terms. They are not actually fixed terms in either case, they are maximum three-year terms, and I know that plenty of people there would like to be able to change to a four-year term because they think that three years is too short a time. In practice, three years ends up being a fixed term, because who would want to have elections more frequently than that? He is also right about Canada, where there is a four-year term.

However, there are some exceptions. I thought that the hon. Member for Elmet and Rothwell would leap up and ask, "What about India?" The Lok Sabha, whose Members are elected in a similar way to ours in the sense that there are single-member constituencies, is elected for a maximum of five years. However, leaving aside the suspension of elections during the state of emergency from 1975 to 1977, there have been Parliaments of one, two, three or four years on several occasions since 1952. In practice, because it is quite easy to hold early general elections in India, it does not feel as though there is a fixed term of five years. Again, we will be going longer than most.

In South Africa, the National Assembly has supposedly been elected for five years ever since independence, but every term between 1966 and 1989 lasted four years or less—some might say "fewer", but it depends on how one looks at it.

Alec Shelbrooke: I say again to the hon. Gentleman that this Parliament will still have the power to have an election before the end of the fixed term.

Chris Bryant: Unless the hon. Gentleman is going to support us on amendments to clause 2—I look forward to his arguments, because we will have to ensure that he is consistent—he must accept that the Bill provides tough measures to ensure that the calling of an early general election will be pretty difficult, if not virtually impossible, given the parliamentary system.

To continue with Parliaments in the Westminster-style democracies, Papua New Guinea has consistently had fixed-term elections every five years since 1972, but it has more than 20 political parties, and only one party in the Papua New Guinean Parliament has more than eight members out of the 109. Again, that is a very different situation.

I therefore point out to Members that since the 1970s the only two places that have stuck to five year Parliaments, which are what the Bill is intended to give us on a permanent basis, are Papua New Guinea and Luxembourg. I just do not think that they provide an appropriate model. Even in the Dáil, which obviously has a five-year term and has done since 1923, the average term has been three years and three months. I argue that the Government are trying to extend the practical length of Parliaments, which is inappropriate.

The hon. Member for Carmarthen East and Dinefwr referred to Scottish, Northern Irish and Welsh elections. His amendment 11 refers to the elections in 2015. I do not know whether the Government want to have a lot of elections on the same day, or whether they want to try to separate elections out consistently. In the USA, as several hon. Members have said, there is a deliberate constitutional construction to ensure that a lot of elections happen at the same time on the same day, on a two-yearly cycle. That is not the model that we have tended to adopt in the UK, although we have ended up with local elections, and now the Scottish, Welsh and Northern Irish elections, happening on the first Thursday in May.

7.15 pm

The hon. Gentleman referred to the fact that different constituencies and different electoral systems will be used on the same day, and he was absolutely right. If the Parliamentary Voting System and Constituencies Bill goes through the House of Lords unchanged, we will not have parliamentary constituencies here that match the Welsh Assembly constituencies. They already do not match in Scotland, and on top of that there are regional elections to provide the top-up seats in Wales and Scotland. We will end up with a dog's breakfast. It will be difficult for voters to understand precisely whom they are voting for, difficult to conduct the counts for the different elections and difficult for broadcasters to know how to ensure that they give equal balance to the various people standing in elections.

Jo Swinson (East Dunbartonshire) (LD) *rose—*

Chris Bryant: It is great to have another new entrant to the debate.

Jo Swinson: I thank the hon. Gentleman. Does he accept that the situation he describes is not solely a result of this Bill, and that it was bound to happen anyway in 2015, when it is likely the general election would have been? As he says, there are already different boundaries in Scotland. It is right that we find some way of enabling the devolved legislatures to move their elections if they wish, but the situation is not just the result of this Bill.

Chris Bryant: No, no, no, the hon. Lady is wrong. She has a much easier way to solve all this—she can vote with us tonight. She only has to do so twice, first to ensure that the 2015 election is brought forward to 2014 and then to ensure that elections are every four years, not every five. She has to do both, she cannot just do one, because otherwise we would still end up with elections happening at the same time every 20 years.

Stewart Hosie (Dundee East) (SNP): I wonder whether we can get down to the brass tacks of this. In 2007, some 140,000 ballots in Scotland were void, nullified and not counted. People were disfranchised because there were two elections of different sorts on the same day. This matter is not ethereal, it is about practical politics and the enfranchisement of people in Scotland, Wales and Northern Ireland.

Chris Bryant: The hon. Gentleman is absolutely right. When that point was made earlier in the debate some people said it was all about how the ballot papers were presented, and undoubtedly that was part of the problem. However, the point is that in Wales, an Assembly election feels like a general election. It will feel like a general election next May. Elections to the Scottish Parliament feel like a general election in Scotland, and I am sure the situation is somewhat similar in Northern Ireland. If they coincide with the UK elections every 20 years, it will be a bit of a muddle and voters will be confused. This is not about our convenience, it is about the convenience of voters and the clarity of the mandate that is provided. Without a clear mandate, we end up without good politics and with people distrusting the political system.

I say in passing that another element of the Bill is that the Government intend to stick to a short election campaign, both in any early general election that might be held and in the specific 2015 election. That will not be the same campaign as for the local elections or for the Welsh or Scottish elections. That will provide another level of uncertainty, particularly for treasurers of local election campaigns. They may be the treasurer for their local constituency association or their local party, and they are already given a pretty tough job to do with stringent legal provisions. Often they are nervous about what that might mean for them and whether they will end up in prison. We should not make the situation even more complicated by firing the starting gun for expenses for the various elections on different days. In addition to that, by choosing May we will always hit the problem of Easter. In 2015, polling day will be on 7 May and, because it is a relatively early Easter, Dissolution will be on Monday 13 April. In 2020, unless we change the legislation, polling day will be on 7 May, which will mean that Dissolution will be on Maundy Thursday 9 April, as both 10 and 13 April will not be working days.

Maundy Thursday used to be a day on which one did not have elections. It used to be provided as a bank holiday, but legislation in 1995 removed it from the list. None the less, it would be inappropriate to dissolve Parliament on Maundy Thursday in 2020. The bigger point is that we will constantly have the problem with the start date of the electoral campaign because Easter moves.

Ms Bagshawe: Although I respect the hon. Gentleman's ecclesiastical background, I cannot resist asking him why it would be a problem for the Dissolution of Parliament to take place on a Maundy Thursday. It seems quite a bizarre point to make. Will he please elucidate?

Chris Bryant: Both days provide a specific role for the monarch. The point that I am trying to make is that because Easter moves, the number of working days' measures that is allowed for in the Bill at the moment makes it more difficult to predetermine exactly how many days there will be. For the most part, it is inappropriate

[Chris Bryant]

to have a general election across the passage of Easter; it makes it more difficult. I do not want to lay that down in legislation. I merely make the point.

The main point, however, is that it has always been the ambition of freedom that there should be frequent elections. There is a significant difference between having a fixed term and a maximum term for a Parliament. The Meeting of Parliament Act 1694—it used to be known as the Triennial Act 1694—stated:

"Whereas, by the ancient laws and statutes of this kingdom, frequent parliaments ought to be held; and whereas frequent and new parliaments tend very much to the happy union and good agreement of the king and people".

It then went on to make provision for three-year parliaments, which is what, I think, my hon. Friend the Member for Great Grimsby is advocating.

I fear that the argument of the Government—in particular the argument of the Deputy Prime Minister—that plenty of time is needed to do unpopular things is rather closer to the Septennial Act 1715. That said:

"And whereas it has been found by experience that the said clause"—

namely the one that provided for three-year Parliaments—

"hath proved very grievous and burthensome, by occasioning much greater and more continued expences in order to elections of members to serve in Parliament, and more violent and lasting heats and animosities among the subjects of this realm, than were ever known before the said clause was enacted; and the said provision, if it should continue, may probably at this juncture, when a restless and popish faction are designing and endeavouring to renew the rebellion within this kingdom, and an invasion from abroad, be destructive to the peace and security of the government."

In other words, as in 1715, the Government want to be able to remain longer in power because they think that it is better for the country. On the whole, we should presume that shorter Parliaments are better. It is no wonder that the Chartists campaigned for annual elections. The petition that was presented to this House on 2 May 1842 by Thomas Slingsby Duncombe, the MP for Finsbury, argued for it and for the payment of MPs. The Parliament Act 1911, to which several hon. Members referred, came about in response to the battle over the powers of the House of Lords and the people's Budget in 1910. Prime Minister Herbert Asquith then said that the change would probably amount in practice to an actual working term of four years.

In 1992, the Labour manifesto said:

"This general election was called only after months of on-again, off-again dithering which damaged our economy and weakened our democracy. No government with a majority should be allowed to put the interests of party above country as the Conservatives have done. Although an early election will sometimes be necessary, we will introduce as a general rule a fixed parliamentary term."

In 2002, Tony Wright, the former Member for Cannock Chase—he was previously the Chairman of the Public Administration Committee—brought in a ten-minute rule Bill, calling for fixed-term Parliaments. He pointedly said that the fixed term had to be four years rather than five years.

In 2007, another ten-minute rule Bill was brought forward in the name of David Howarth, a very fine man who was then the Liberal Democrat Member for Cambridge. He argued very forcefully, on behalf of the Liberal Democrats, that there should be a fixed-term Parliament. The Liberal Democrats have long argued for fixed-term Parliaments, but fixed at four years and not five. Their policy paper 83 "For the People By the People"—*[Interruption.]* I will not repeat what my right hon. Friend the Member for Tooting (Sadiq Khan) has just said. The policy paper, which was introduced to the autumn conference in 2007, set out the commitment to a written constitution, which included fixed parliamentary terms of four years. It stated:

"Liberal Democrats have long argued that parliaments should last for a fixed term of four years. In a reformed political system coalition government might be the norm and stability can only be encouraged by a system which does not allow for snap elections when political relationships suffer temporary disruption."

The best advocate of such legislation was the hon. Member for Somerton and Frome (Mr Heath). Indeed, he brought a Bill before Parliament. I have seen lots of photographs of him advocating a four-year fixed Parliament. As he is an honourable man who believes in consistency, I know that he will support us tonight in favour of a four-year rather than a five-year term.

Welcome to the Chair, Miss Begg. It is a delight to see you for the first time in the Chair in the full Chamber of the House. Let me repeat, there is no mandate for this provision. This provision is not the one that was in the Liberal Democrats' manifesto. It is not the provision that was in the Conservative party's manifesto, because the Conservative party said that it would introduce legislation to provide that if a party in Government changed its leader, and therefore the Prime Minister, there would be a general election within six months. That provision has completely disappeared, so there is no mandate for the precise nature of this Bill.

I am sure that the Deputy Leader of the House and the Minister have persuaded themselves of their argument. They have scrunched up their eyes and desperately persuaded themselves that this Bill does not try to extend the length of Parliaments. They have screwed themselves to the sticking point, and they are determined to get it through. The honest truth, however, is that this is a wrong measure. It is anti-democratic. It will mean that general elections happen less frequently. This House should support the amendments that have been tabled by the hon. Member for Carmarthen East and Dinefwr and all the other amendments that call for four-year Parliaments rather than five-year Parliaments and the next general election in May 2014 and not 2015.

Mrs Laing: I, too, welcome you to the Chair, Miss Begg.

In the unavoidable absence of the hon. Member for Nottingham North (Mr Allen), I should like to put before the House amendment 32, which has been tabled by members of the Political and Constitutional Reform Committee, of which the hon. Gentleman is chairman. I and other hon. Members here present are also members. Not all members of the Select Committee have put their names to this amendment, and I do not wish to press it to a Division. None the less, I want to put it before the House on behalf of the Select Committee because it was part of our process of pre-legislative scrutiny of this Bill. In the Select Committee's words, the House should consider whether

"a Parliament following an early general election should last for only as long as the remainder of the term of the previous Parliament, and whether such a provision would make a super-majority for a dissolution unnecessary?"

I am sorry to be speaking about this matter after the shadow Minister because he may have wished to say something about the Select Committee's deliberations.

Three eminent academics gave evidence to the Select Committee. Professor Robert Blackburn of King's college, London, wrote that the amendment would help to

"ensure a governing majority does not abuse its ability to push through an early election resolution for no good reason other than being a favourable time to itself to go to the polls".

Professor Robert Hazell of the constitution unit at University College London, wrote that the proposal would provide

"a strong disincentive to a government inclined to call an early election"

as well as

"a disincentive to opposition parties tempted to force a mid term dissolution".

The proposal is also supported by Professor Hazell's colleague, Professor Dawn Oliver, for similar reasons.

7.30 pm

There are at least three further arguments in support of amendment 32. First, it would provide a genuine fixed term, making the cycle of ordinary general elections predictable long into the future, or at least until the law is changed. Secondly, it would be in keeping with the statutory arrangements for elections to the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly. Thirdly, it would prevent the cycle of parliamentary constituency boundary reviews —as proposed by the Government in the Parliamentary Voting System and Constituencies Bill—from decoupling from regular general elections. That decoupling would occur under the Government's proposals if an early general election were held. Will the Minister consider that in respect of the provisions of the Parliamentary Voting System and Constituencies Bill as well as in respect of the Fixed-term Parliaments Bill?

Chris Bryant: The hon. Lady makes an extremely important point. It will be difficult for people to know on what basis elections are held if we do not accept amendment 32 or an amendment to the Parliamentary Voting System and Constituencies Bill to ensure that boundary commissions report 18 months or so before the date of an election.

Mrs Laing: Indeed. The hon. Gentleman and I disagree profusely on the boundary commission issues that are currently being debated in Parliament, but we agree that it is essential that regular boundary reviews coincide with parliamentary terms. I expect that the Minister will also agree with that.

As I have often said when speaking to amendments that have arisen from the pre-legislative scrutiny undertaken by the Political and Constitutional Reform Committee, amendment 32 is genuinely meant to be helpful to Ministers, and to forewarn them. If there are early elections, boundary commission reviews will be out of step. Having said that, this is a purely practical matter. I am sure that the Minister, once he has given it about two or three minutes' thought, will have a perfectly good response. It is right that this Committee considers such points, because that is the purpose and meaning of pre-legislative scrutiny.

The Government put their argument against the amendment in their response to the Select Committee's report. They say that

"a Government could be returned following an early general election with a large majority, in which case it would make little sense to ask the voters to return to the polls in as little as a few months."

That is a perfectly good point and I cannot argue with it. They also argue:

"The people expect that when they go to the polls, they are being asked to elect a Government which will last for a full term with a full programme."

If the Bill passes, the people will indeed expect that. Those points answer some of the points that the Select Committee made in its pre-legislative scrutiny, but not all.

As I said, not all members of the Select Committee support amendment 32, and I do not wish to press it to a Division. I am speaking to it on behalf of the Select Committee simply so that this Committee has an opportunity to consider the balance of the arguments. I am sure that the Minister will give very good reasons why he does not wish to accept the amendment, but I hope he will reassure us that the Government have considered the points made—perfectly properly—by the Select Committee.

Chris Bryant: The hon. Lady referred to the evidence given by Professor Hazell, so I am sure that she would also want to point out that he said that fixed terms should be for four and not five years. Does she remember 16 May 2008? She intervened on David Howarth in the Chamber to attack the idea of a fixed-term Parliament. She said:

"Are the Liberal Democrats in favour of this Bill because for nearly a century they have not had an incumbent Prime Minister, and have no prospect of having one for the next century?"—[*Official Report*, 16 May 2008; Vol. 475, c. 1704.]

Mrs Laing: I am glad the hon. Gentleman raises that and grateful to him. I very well remember 16 May 2008 —I have the *Hansard* here in my hand—and I am delighted that when I spoke from the Dispatch Box from which he just spoke, I did not encourage my party to vote against provisions for a fixed-term Parliament Bill. I doubted the motives of the Liberal Democrats at that point.

Sadiq Khan (Tooting) (Lab): You should still doubt their motives!

Mrs Laing: I am consistent on that point as in all other aspects of my political philosophy. In fact, the debate on 16 May 2008 was a full debate on this issue, and I urge hon. Members to consider it.

I have spoken to amendment 32 on behalf of the Political and Constitutional Reform Committee. Having performed my duty in that respect, I am now free, and I should like to speak to amendment 11 on my own behalf, and not on behalf of that Committee or anyone else. There are two issues to consider when it comes to the length of Parliaments: first, the constitutional principle; and secondly, the prevailing political situation. Let us be honest: that is the crux of the matter.

On the constitutional principle, there is nothing strange, new or innovative about a five-year parliamentary term. The hon. Member for Stalybridge and Hyde (Jonathan Reynolds) asked from where the Government have plucked the idea of five-year terms. The fact is that the law

[Mrs Laing]

permits five-year Parliaments, as it has for the past 99 years. The idea has not been plucked from nowhere—it is quite normal.

Jonathan Reynolds: Does the hon. Lady not recognise that the normal practice has been four-year terms? In fact, the average length is slightly less than four years. If we are to extend that period, we should at the very least be given an argument in favour of it, but such an argument has not so far been forthcoming.

Mrs Laing: No. With respect, the hon. Gentleman is completely wrong. The Bill is not about extending Parliament. Four year Parliaments are not normal. Let us be realistic and honest about that, in political terms. We have had four-year Parliaments because they have suited Prime Ministers who believed that they had a better chance of securing a majority in the country after four years than if they went on for another year. The current system gives enormous power to Prime Ministers, and quite rightly so. There must be some power of incumbency, which is what the power to make such decisions is. There is no norm of four-year Parliaments, and averages are irrelevant—they are just arithmetic.

Chris Bryant: The hon. Lady is talking about what is normal. I venture to say that it has not been normal in the British system, since 1832, to have a five-year Parliament. There have been a few, but there have been very few. It has been more normal to have four-year Parliaments.

Mrs Laing: I have just explained why. I would add that 1832 is not relevant, but 1911 is. We are looking at the last 100 years, during which time there have been several five-year Parliaments.

Gavin Williamson (South Staffordshire) (Con): I am sure that my hon. Friend is very familiar with these figures, but 10 of the past 17 Parliaments lasted longer than four years, and six of those 10 lasted longer than four and a half years. That probably supports her argument that many Parliaments run for much longer than four years.

Mrs Laing: I thank my hon. Friend very much for those statistics. He is absolutely correct, and talking about averages is neither here nor there. We should be looking at the number of Parliaments that have run for five years, almost five years or very much less. We cannot count the war years, and it is irrelevant to count unusual times. There is no norm of four-year Parliaments. The Bill does not extend anything; it merely enshrines the current situation.

Jonathan Edwards: On UK norms, is it not true that where institutions are fixed, whether in Wales, Scotland, or Northern Ireland, or in local authorities and town, community and parish councils, the norm is four years? The norm in the UK is four years, and that is the whole point of the amendment.

Mrs Laing: The norm for district, county and parish councils is four years, but they are not Parliament. We are talking about Parliament, the duties undertaken by which are different and have a different time span from those undertaken by local authorities.

Thomas Docherty (Dunfermline and West Fife) (Lab): Does the hon. Lady accept, therefore, that the only other Parliament in the United Kingdom has a four-year term, and that is the Scottish Parliament, for which, I regret, she did not vote in 1997?

Mrs Laing: No I did not, but I would argue with the hon. Gentleman that, if he seeks consistency, which would not be unreasonable, the Scottish Parliament should change to five years. There is no problem with that.

The point made by the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) about comparisons with local authorities is interesting but irrelevant, because we are talking about Parliament, the work of which has a long time lag.

Chris Bryant: Why?

Mrs Laing: Because it takes a long time to turn the economy round. We are looking now at the horrific mess that the last Government, in the last five-year Parliament, left behind.

Chris Bryant *indicated dissent.*

Mrs Laing: The hon. Gentleman can wave it away, but he cannot change the fact that our country's economic situation is dire, and that is because of what his Government did in their last five-year Parliament. I wish it had not lasted five years, but that is another point—[Hon. Members: "Ah!] Yes, but when I say that, I say it purely out of party political prejudice, and other people in the Chamber ought to admit the same when they are looking for a general election to be sooner, rather than later. It is not constitutional principle, but party political prejudice.

Nic Dakin: Is it not important that we focus on the people we serve, rather than on structures, time periods and so on, and is it not important that we renew our mandate regularly? If the norm is for the renewal of a mandate after four years for local elections, parliamentary elections in Scotland and Assembly elections in Wales and Northern Ireland, does it not make sense to recognise that renewal on a four-year basis is reasonable, especially given that neither of the Government parties took this to the British people in the general election? We have to recognise the norm, by which I mean the average.

Mrs Laing: I have answered the point about local authorities. We are not a local authority; we are the Parliament of the United Kingdom. Making that comparison completely negates the hon. Gentleman's argument. However, he said one thing that was correct: yes, we should be mindful of those whom we serve. We serve them better by producing stable Government, and that is what the Bill will help to do. The fact is that no Parliament can bind its successor.

7.45 pm

Mr Adrian Sanders (Torbay) (LD): Does not much of local government elect not every four years, but by thirds every year, so the argument made by Opposition Members is completely erroneous?

Mrs Laing: I am glad that I gave way to my hon. Friend, because he is absolutely correct. The argument is totally erroneous. If Opposition Members wish to turn this Parliament into the equivalent of a district council, I for one will oppose them all the way. It is an irrelevant argument. The Bill is a statement of intent and of good management by the Prime Minister, who could, as other Members have said, say nothing now, bring forward no legislation, but intend in his own mind to call the next general election in May 2015, and under the current system that would be entirely up to him.

I have dealt now with the constitutional principle. There is no such principle preventing a fixed-term Parliament of five years, and there is no principle that says that a Parliament of the United Kingdom should be anything other than five years—no principle, no precedent. On the second part of my consideration—the reflection of the current political situation—I noticed the other day that I have an old fridge magnet, purchased some time ago in that illustrious place, the House of Commons souvenir shop. It has on it a pithy saying from that brilliant political thinker, Spike Milligan—

Austin Mitchell: Five years or bust.

Mrs Laing: It does not say that. It says: "One day the Don't knows will get in, and then where will we be?" [Hon. Members: "They did."] Precisely my point! I used to laugh at that fridge magnet and think that Spike Milligan was funny, but now I am sorry to say his prophecy was correct. Where would we be, if the electorate decided, "Don't know"? We would be where we are now. We need a coalition, because that is what the electorate, in Spike Milligan fashion, decided. We have to have a coalition because it is necessary for stability, and that stability is necessary to resolve the economic situation and put this country back on its feet after 13 years of misrule by Labour Governments.

On Second Reading, the hon. Member for Garston and Halewood (Maria Eagle), speaking from the Dispatch Box for the Opposition, was not cynical—the hon. Member for Rhondda (Chris Bryant) said today that parts of the Bill are cynical—but practical when she said:

> "The long title of this Bill should be 'A Bill to ensure that the inherent contradictions in the coalition Government are suppressed for a full five years; to make sure that neither party can double cross the other; and for connected purposes.'"—[*Official Report*, 13 September 2010; Vol. 515, c. 697.]

Well, she was absolutely right: that is not cynical; it is practical. We need to have stability. We therefore need to have a stable coalition, and if having fixed-term Parliaments is part of that, we need to have fixed-term Parliaments. The Government are right to state that such a Parliament should last for five years, because in order to bring about the stability that this country needs, it needs to have the same Government continuing with the same coherent, stable economic and social principles in the long term, rather than for short-term political expediency. That is why five years is so important.

Chris Bryant: I think I must have wandered over to the Government Benches and left my notes for my speech there, because the hon. Lady seems to be reading them out. I can see why it might be practical to say that the next general election should be on 7 May 2015. However, against her argument, I cannot see why it is a good constitutional principle—one that should be set in legislation—that Parliaments should sit for five-year terms.

Mrs Laing: I appreciate that the hon. Gentleman cannot see that, but I have said that I can see it. It is a perfectly proper constitutional principle that a Parliament should sit for five years. Now I am putting the practical side of the argument, which is that in the political and economic situation in which we find ourselves—as a result of the mismanagement of our country's economy and social policy for 13 years by a bad, Labour Government, who did the people of the United Kingdom no favours whatever—it will take more than just two or three years to put this country back on its feet. Therefore, we should have a five-year term. It is what the people of our country need; it is what we as parliamentarians have a duty, in the name of stability, to give the people.

Mrs McGuire: Thank you for calling me, Miss Begg. It is a great pleasure to see you in your place today.

I congratulate the hon. Member for Epping Forest (Mrs Laing) on her dynamic speech. She has always been a participant in constitutional debates. We have often not seen eye to eye, and, frankly, I am not sure that we are going to change that this evening. However, she spoke with her usual vigour, vim and—in her way—logic. For those who do not know, she and I have always had an issue with some Members of this House who could never pronounce her name properly—that is, as we pronounce it in Scotland. I know that I am not allowed to mention names, but I am sure that she knows what I am talking about. [Hon. Members: "Go on!"] In Scotland, we would pronounce the hon. Lady's name "Lang". I will leave hon. Members to work out the difference, because, without usurping the Chair, Miss Begg, we would normally—*[Interruption.]* No, sorry, we would say "Layng", not "Lang". After 13 years down here, I have almost gone native.

I would like first to comment on one or two other previous speeches in this debate. There have been some powerful contributions to this debate. On the principle of the four-year term, although I did not agree with the analysis on three years put forward by my hon. Friend the Member for Great Grimsby (Austin Mitchell), he and the hon. Member for Aldridge-Brownhills (Mr Shepherd) made telling statements about re-energising our democracy at regular intervals. Frankly, it is arrogant of us in this House to assume that we should not go out there and re-energise our democracy at reasonable times. I am not convinced that five years is the right period to re-energise our democracy. Indeed, the dynamic of the British political infrastructure is built around four-year terms. The hon. Member for Epping Forest assumed that somehow Parliament was in a different position from the other elements of our democratic infrastructure, but I do not think that we are, in that they are underpinned by the same principle that if someone is elected by the people, then every so often, after a reasonable interlude, they should have to regain that mandate.

As an aside, the hon. Member for Epping Forest is a fantastic successor to Sir Patrick Cormack—I hope that she will take that as a compliment—in that she says the word "Parliament" with such gusto and conviction.

[Mrs McGuire]

Her articulation—I think that is the word—of the word "Parliament" brought back fond memories of Sir Patrick.

There is a dynamic in the British parliamentary system. There is also a logic to the four-year term, which has been built up over many years, yet the one thing that has been missing from the Government's case in proposing five years is logic. There is absolutely no logic to their case, although the hon. Lady's honesty perhaps got us closer than anybody else on the Government Benches was prepared to admit. This is not about logic or principle; this is about sheer political expediency. The current Government tell us that their activities in managing the economy will deal with the deficit in four years, so why are they afraid to go back to the electorate in four years? Why do they need to extend this Parliament for an extra year? Some elements of the coalition Government are in a lifeboat, waiting for the general election of 2015—a political equivalent of the Carpathia—to come by and lift them out of the seas in which they find themselves. That is the only reason for proposing a five-year term.

It is preposterous to introduce a five-year element into a well established cycle of elections every four years. It is almost like the Olympics: if we can divide the year by two, then it should be an election year. Every other democracy that we have highlighted today has gone down the road of four years—in the case of the American Senate, the division is by two. We have a well established political infrastructure in this country.

Graham Stringer: My right hon. Friend is making a powerful case for shorter periods between general elections, but when it comes to a coalition, is there not an even stronger democratic argument for shorter periods? By necessity, the policies of a coalition will have been opaque to the electorate at the last general election. Therefore, a coalition Government should go back to the people more often.

Mrs McGuire: I thoroughly agree with my hon. Friend. We now have a different kind of Government. Had the numbers been slightly different, we might have been in a similar position—that is, in a coalition. However, I cannot imagine that one of our first Bills would have been to extend the life of that Parliament and put a statutory limit—not a flexible limit—on the length of our term, although some of my colleagues have asked why we did not think of the idea first, when we had a majority of 164 in 1997. Hindsight is a great thing.

As for the length of Parliaments, I want to offer my hon. Friend the Member for Rhondda (Chris Bryant) an apology, because he was right when he said that there were three Parliaments that ran in excess of five years. There were three others—I have just added up the years; I did not have the benefit of the chart—that effectively ran for five years. However, I hope that he will accept that, taken together, it has been unusual to go beyond four years.

There has been a strong element of honesty—certainly from this side of the Committee—about what happens in the fifth year of a Government. We have to be realistic about the dynamism and energy of a Government in their fifth year. I remember coming into the House in 1997 and hearing then Opposition Members—some of whom are now members of the Government—say that the fifth year of any Parliament is often the one in which the Government are tired and running out of steam. You might remember hearing similar comments, Miss Begg. I do not think that creating fixed Parliaments of five years will change that dynamic of politics. Four years is the time it takes a Government to put a programme in place and to deal with the major issues that it came to power to deal with.

8 pm

Another element, which I find distasteful, is that this Government are seeking to extend their own life. I would have more respect for this legislation if it extended the life of the next Parliament. At no time did either of the political parties that now form the Government say that they would extend the life of this Government by an extra year.

Ms Bagshawe: Opposition Members return again and again to the same inexplicable argument. Will the right hon. Lady explain how the Government are seeking to extend the life of this Parliament when my right hon. Friend the Prime Minister may call an election on the very last day of the five years should he choose to do so without introducing any legislation whatever?

Mrs McGuire: There is a distinct difference between the flexibility in the constitution now, and a law that says that this Parliament cannot, without jumping over various hurdles and achieving various percentages, call a general election before the end of that statutory period. That is the fundamental divide in the Committee.

I return to the practical point of whether we should have general elections at the same time as other elements of our democratic society have their elections. The integrity of other elements of our democratic infrastructure should be protected. Frankly, the Westminster attitude that everyone else should change is not compelling, and is insulting to the tens of thousands of people who are involved in all sorts of political activity at local government level, and indeed at Assembly and parliamentary level. This Parliament established the Assemblies and devolved Parliament. We should keep faith with them and recognise that they have the right to pursue their own democratic mandate without our overlaying our election by statute and no longer as a matter of flexibility or choice.

Holding those elections on the same day will cause major difficulties, even if that occurs every so many years. We are discussing different systems for not just two of those elements, but for three or four. We could have the alternative vote system if in the referendum, whenever it is held, the people accept it for this Parliament. We have first past the post for the Scottish Parliament and the Welsh Assembly, and over and above that, as my hon. Friend the Member for Rhondda said, a third and yet another system is the regional list vote. The issue is not that the people of the various countries of the United Kingdom may be unable to discern the different political arguments that might be made; complexity will be added to our democracy when we want to encourage more people to be involved in democracy. We are in danger of putting them off by saying, "This is how you must vote in this election, this is the way on that election, and this is the way on the second vote."

On a practical point, we may pass legislation in the House, but it has to be implemented. Let us imagine the difficulty that returning officers will face in the first and subsequent elections when they conflict with those elements of our electoral system. We are asking returning officers and all the staff who make sure that our democracy works to do almost the impossible. Although there have been debates on why 140,000 ballot papers were spoiled at the last Scottish Parliament elections, it is fair to say that the response from returning officers and their staff was that holding different elections on the same day with complex voting systems did not help matters, albeit that there were issues with the ballot paper.

What worries me particularly about how the legislation has been introduced is that when challenged, the Deputy Prime Minister's answer was that the date of the other elections should be changed. That is arrogant, and underpins the content of the Bill and the speed with which it is being steamrollered through the House and the other place. The hon. Member for Aldridge-Brownhills argued powerfully about constitutional change, and he will recognise that if such change has to happen, it should do so with consensus throughout the House. Constitutional change should happen because all political parties recognise the need for it. What we have here is a unilateral decision by a coalition Government who did not highlight five-year terms in their manifestos.

Mr Sanders: We did.

Mrs McGuire: I may be wrong, but I think that was four years, not five.

Mr Sanders: Four years, fixed term.

Mrs McGuire: Trust the Liberals to get involved in semantics. Everyone else knew what I was talking about.

I suggest to the Minister that there is general good will in the House for fixed-term Parliaments, fixed-term elections, or whatever phraseology we want to use to describe what we all know we are talking about. There is consensus on that principle, but the Government must decide whether they will listen to the voice not just of political opponents, but of people who want that constitutional change. It is not a long way to travel to recognise major constitutional and practical problems with the date that they have chosen, and with the five-year term in principle. A coalition is also about listening to people outside the coalition, and I hope that the Government will yet come forward with a change to the Bill so that the House can agree on fixed-term elections in a way that allows us all to move forward without making it an issue of acrimony between parties.

Thomas Docherty: I welcome you to the Chair, Miss Begg. As I sat here this afternoon and this evening, I saw my hon. Friend the Member for Foyle (Mark Durkan), my right hon. Friend the Member for Tooting (Sadiq Khan), my hon. Friend the Member for Rhondda (Chris Bryant) and hon. Members on the Government Benches, and I had a feeling of déjà vu. I felt that we had been here quite recently, and it occurred to me that that was so.

We had a debate in Committee just three weeks ago—*[Interruption.]* As the hon. Member for Foyle said, it was to discuss a Bill with a different title, but one that also sought to change our parliamentary system. There are perhaps only two reasons why the Government did not amalgamate them in a single Bill. First, this is a back-of-a-fag-packet rushed job that they have pulled together, but they could not get their civil servants to work fast enough for the Deputy Prime Minister. I note that he is not here tonight, and I can only assume that after his 70-minute contribution to our eight hours of debate on the other Bill he is exhausted. I am sure that Opposition Members wish him all the best in his recovery from that exhaustion. The second reason could be that the Minister so enjoys spending time on Bills that he has been bouncing around all week in eager anticipation of listening to me and my hon. Friend the Member for Rhondda giving him an interesting lecture on constitutional history. Without further ado, I will indulge not that fetish, but that fantasy.

I was lucky enough to go on the visit by the all-party British-American parliamentary group to the United States some two months ago, and spent a lot of time studying the US constitution, and especially its constitutional convention, which is particularly apt given the comments by the hon. Member for Aldridge-Brownhills (Mr Shepherd) about interesting parallels between our parliamentary system and that of our colonial cousins across the water. I have to confess to being something of an anorak in these matters. In fact, I have been described as the Leonard to my hon. Friend the Member for Rhondda's Sheldon when it comes to the constitutional process.

I should like to recommend to the Committee an excellent book by Professor Robert Beeman called "Plain, Honest Men: the making of the American constitution", which I would be happy to lend to the Minister and to the Deputy Leader of the House if they would like to study it. They might be interested to know that when the Americans came to draw up their constitution and were considering the lengths of terms of office and the roles of the upper and lower Houses and of the Executive, they held a four-month constitutional convention in 1789. They brought together some of the great minds of the day, including Benjamin Franklin, George Washington, James Madison, Alexander Hamilton and one James Wilson, who was a native of Fife and educated at St Andrew's university, and who emigrated to the colonies in the 1750s. They spent four months debating those matters, and only at the end of that time, after a proper detailed debate, did they deign to bring forward detailed proposals for their terms of office, fixed terms and so on.

Mr Shepherd: I hope that the hon. Gentleman will not forget one of the very important constituent parts of that whole debate—namely, the federalist papers. They laid out the arguments for the wider public, which were fiercely debated with proposition and counter-proposition. That was a formidable ingredient that involved an awful lot of people.

Thomas Docherty: I am grateful to the hon. Gentleman for that point, and I apologise for not having touched on it. He is entirely right to say that the work of the likes of Madison and Hamilton was crucial, but that there was also a great debate. They did not try to rush their proposal through.

Stephen Pound (Ealing North) (Lab): We are certainly being educated here tonight. Does my hon. Friend agree that the Philadelphia convention was conducted

[Stephen Pound]

on the basis of a tabula rasa, and that those people were starting from a base point? What we see here before us today is a foul, expedient hotch-potch of crisis and chaos spatchcocked together to try to allow the coalition to limp on into the future. To compare it to the great towering genius of Hamilton, Jefferson and Madison is to do them a disservice and to give the present coalition Government rather too much credit.

Thomas Docherty: I am grateful to my hon. Friend for making that excellent point. When I look at those on the Government Front Bench, however, I see some nuggets of hope and principle, and I am sure they will listen carefully to the points that we are making.

The Minister might be interested to know that, when the Americans were considering term lengths for their parliamentarians and for the presidency, they originally considered a three-year term for the House of Representatives and a seven-year term for the presidency and the Senate. Before the Minister gets too excited about the idea of a seven-year term, however, I should tell him that they also considered making it for one term only. Indeed, they argued that the Executive branch should not sully itself by seeking re-election. I suspect that he would be less keen on that principle. Slowly, however, over that summer, they moved towards a settled will among the 13 colonies. In fact, I should say 12 colonies because, as hon. Members will know, Rhode Island did not attend any part of the convention. They settled on a system of two-year terms for the House of Representatives, six-year terms for the Senate and four-year terms for the presidency. However, the elections for the United States Senate have always been staggered—a point that I regret the Government have not taken on board—so that each voter in every state has the opportunity to cast their verdict on the Senate no more than four years apart. That point seems to have passed by some of those on the Government Benches.

8.15 pm

Of course, there are reasons closer to home why we might wish to move to a fixed term of four years. I shall not repeat the points that were made earlier, but I should like to take the Scottish perspective for a moment. It is interesting that the Gould report—which the Deputy Prime Minister admitted on Third Reading of the Parliamentary Voting System and Constituencies Bill he had not actually read; he had read a report of the report—made it absolutely clear that having multiple elections on the same day would inevitably lead to confusion. The Electoral Commission has also raised that matter, and the electoral administration officers for Scotland are deeply concerned about their ability to deal not only with the referendum and the Scottish Parliament elections being held on the same day in 2011 but with the general election and the Scottish elections in 2015.

There is also the important issue of the television debates. I should explain to those colleagues who have not had the pleasure of representing a constituency in Scotland, Wales or Northern Ireland that there is a real challenge involved. The main debates for the Westminster election in 2015 will be among the three party leaders, assuming that the Conservatives and the Liberal Democrats have not merged into a single party for electoral purposes. However, in the Scottish, Welsh and Northern Irish elections in that year, there will have to be TV debates within the nations and regions covering the leaders of the Social Democratic and Labour party, the Democratic Unionist party and so on in Northern Ireland, the Scottish National party, Labour, the Conservatives and the Liberals in Scotland, and similar arrangements in Wales. That will become incredibly complicated and could be open to serious legal challenge if we hold the two elections on the same day. The SNP or Plaid could argue that, if the leader of the Labour party gets double the exposure, Labour's vote could go up. I suspect, however, that such exposure for the Deputy Prime Minister would only drive down even further the Liberal Democrat share of the vote in Scotland and, probably, in Wales.

There are also some serious logistical problems that need to be considered. My hon. Friend the Member for Edinburgh South (Ian Murray) stole my line about having different polling stations for the Scottish parliamentary election and the Westminster election. I am sure that that such a situation could also be true for Wales and Northern Ireland.

There is actually a Member at the heart of the Government who does not agree with holding elections on the same day. I accept that his Bill on the decoupling of the local government and Scottish Parliament elections was introduced when he was a Member of the Scottish Parliament, but it might be helpful if I quote the junior Minister, the Under-Secretary of State for Scotland. I understand that he has attended the debate today. He was referring to the local government and Scottish Parliament elections, but the principles apply across the board. He said:

> "I have always held the view that separate elections for local government and the Scottish Parliament would allow for real local accountability by increasing the focus on the real issues of local government which are currently overshadowed by the policies of the Scottish Parliament."

There is no reason not to extend that logic to the Scottish Parliament and the Welsh Assembly. On page 7 of his consultation document, he went on to say:

> "Supporters of combined elections argue that by keeping local government together with higher profile elections a higher turnout can be maintained. This is, however, only hiding the problem of a disengaged local electorate, not solving it. The real solution lies in local politicians that respond to local issues, delivering specific solutions to the specific problems in their community."

I am sure that the Minister will absolutely agree with his colleague.

I am conscious of the time, and of the fact that other Members wish to speak. I look forward to the Minister reflecting on the comments of the Under-Secretary of State for Scotland, and on the wisdom of our colonial cousins. I also look forward to him supporting our amendments.

Sheila Gilmore: It is a great pleasure to serve under your chairmanship in this debate, Miss Begg. I want to focus on the practical issues, as we have heard quite a lot of constitutional theorising, and, indeed, a great deal of fascinating history. When I first saw these proposals, I assumed, perhaps rather naively, that the Government had simply made a big mistake, and that they had not realised that, as a result of going for five-year fixed-term Parliaments with immediate effect—that is, in relation to the length of this Parliament—the date of the general

election would coincide with the Scottish parliamentary elections, the Welsh Assembly elections and the Northern Ireland Assembly elections. I thought that once they realised that that was a problem, they would rethink their proposition, if only in purely practical terms and even if there were a theoretical argument for five years being better than four—and I have certainly not heard one today—but they did not do so.

My hon. Friend the Member for Dunfermline and West Fife (Thomas Docherty) said that he hoped that when the Minister summed up the debate—on Third Reading, of course, the debate may be summed up by the Deputy Prime Minister himself—he would take some of those issues on board, but I fear that, if the previous constitutional Bill is anything to go by, that will not happen. The Deputy Prime Minister could have written his summing-up speech for the Third Reading of that Bill before the debate had even started. Indeed, I believe that he had, given that so little reference was made to the hours spent in Committee and the different arguments that had been put at that stage. It seemed that none of those arguments had been listened to.

I appreciate that many Government Members have no experience of the practical issues that we have raised. There is, after all, only one Conservative Member of Parliament who represents a Scottish seat. There are Scots who represent other seats, but there is only one Conservative MP who does so, and as far as I am aware he has not been present much during our debates or contributed much to them. Some junior members of the coalition—the junior partners—represent Scottish seats, but they too have been fairly conspicuous by their absence for much of the debate. However, the hon. Member for Edinburgh West (Mike Crockart) has now arrived, and the hon. Member for East Dunbartonshire (Jo Swinson) was briefly present earlier.

Mrs Laing: I simply must intervene to defend the honour of the Under-Secretary of State for Scotland, my right hon. Friend the Member for Dumfriesshire, Clydesdale and Tweeddale (David Mundell), who is indeed the only Conservative Member of Parliament in Scotland. He cannot take part in these debates because he is a Minister in a different Department, although he was here earlier, when the Committee was dealing with the important parts of the Bill that relate to Scotland. I cannot allow it to be on the record that he has not paid attention or that he has not taken part in these debates, given that he is not allowed to do so.

Sheila Gilmore: I accept the hon. Lady's point that the Minister cannot take part in the debate, but I have not observed a great deal of discussion in the wider press, here or in Scotland, to which he has contributed.

The point that I was making, however, is that many Government Members have no practical experience of the position that obtained in 2007. I think that Government Members are inclined to make light of it and to imagine that we are stirring up a storm in a teacup over something that did not really matter, but it was important. It was a bad day for democracy when so many things went wrong with that combined election. Yes, it did have something to do with the design of the forms; I am not going to say that it did not, for the design did not help. However, the real issue in that context, which was addressed after 2007, was the decoupling of the local government and Scottish Government elections, with an arrangement to ensure that that would not happen again. It seems odd to voters in Scotland, and certainly to political activists there, that we are not just returning to the position in which we found ourselves in 2007, but, I would argue, putting ourselves in a considerably worse position.

Although this will not simply be a matter of practicalities, I should like to draw attention to some of the practicalities of which Government Members may not be aware. The boundaries relating to the Scottish Parliament and the Westminster constituencies are now very different. They have moved apart because the number of Scottish constituencies represented here was reduced in 2005. The Scottish Parliament boundaries have been changed very recently. Their size has not been reduced and the numbers have not changed, but there has been a substantial redrawing which, in most cases, has moved them even further from the Westminster boundaries. There are some very strange boundaries, making it difficult for people to understand who represents them and what constituency they are in.

People who live in the southernmost part of the constituency of my hon. Friend the Member for Edinburgh South (Ian Murray) for Westminster purposes will be in Edinburgh Eastern for the purposes of the Scottish parliamentary elections next year. Given that they live in the far south of Edinburgh, they find it quite difficult to fathom why they have effectively been transported to a different part of the city. That will cause not just a potential for electoral confusion, but serious practical problems relating to the organisation of the elections.

Even more important is the blurring and confusing of the real political differences that have emerged since devolution. I am sure that the same applies to Wales, although I probably do not know enough about its politics or history. No doubt my colleagues will rush to enlighten me. Our politics in Scotland, however, have developed very differently. Not many of the political parties represented in the Scottish Parliament take the lines adopted by the coalition Government here.

For instance, the coalition Government have decided that they want to stop funding the building of affordable housing through grants—I assure you that this point is relevant to the debate, Miss Begg—and instead to fund it by raising rents, which means that tenants will pay for the building of their new homes. I am absolutely positive that no party represented in the Scottish Parliament, even the Conservative party, will espouse such a position in Scotland through the Parliament. In the past—although the situation may change—all the parties in the Scottish Parliament have signed up to free personal care for the elderly. At that time a different view was taken at Westminster, and a different view was taken by my party and by others. However, although some might find it surprising, the Conservatives in Scotland have signed up to that policy in the past.

Mrs McGuire: In a radio programme that I heard on Friday, a leading member of the Liberal Democrat party in the Scottish Parliament said that in no circumstances would the Liberal Democrats introduce tuition fees. Has my hon. Friend any idea how we could conduct a debate about tuition fees—given the position of one of the partners in the coalition Government, the Liberal Democrat party—while also trying to conduct a debate about funds for students in Scotland, with all that happening at the same time as the two elections?

Sheila Gilmore: I entirely agree. That is another illustration of where the difficulty lies. It is not that people are stupid. It is not that the voters cannot understand that there are two elections ongoing. It is that the issues will not be properly debated, and there will be confusion about what the various parties stand for. For example, Scottish Liberal Democrats may, as has been suggested, wish to campaign strongly about the way they think universities should be funded. As that is clearly different from the position taken by their leadership here at Westminster, they are going to find it much harder to get their point of view across.

Martin Horwood (Cheltenham) (LD): I am surprised that the hon. Lady thinks this will cause confusion since Labour seemed to manage such a situation: they supported the abolition of tuition fees in Scotland as part of the coalition there while simultaneously opposing that for the rest of the United Kingdom from the Government Front Bench here in the last Parliament.

Sheila Gilmore: I was not suggesting that it is either confusing in general terms or wrong that parties in different parts of the United Kingdom should take different views. That has also happened in Wales, and it has happened on health issues and education issues. It is right that we should develop in that way; I think it is extremely healthy. It is a sign of the strength and success of devolution since 1999 that there can be such differences of opinion even within political parties that are very close and see themselves as part of the same party.

8.30 pm

Thomas Docherty: For the benefit of those Lib Dems who are only arriving now, so very late to the debate, may I ask my hon. Friend whether she agrees with the following point made tonight by the leader of Plaid Cymru and others—that confusion will be caused by having two elections on the same day, especially as they will be preceded by TV debates with on one night the party leader for the UK saying that his party will pursue one policy and the following night the party leader in Wales or Scotland saying something else?

Sheila Gilmore: I absolutely agree. The problem is not to do with people taking different positions; it is to do with what will happen in the month or few weeks before an election when the issues are being debated on the hustings and being reported in the newspapers. I have an awful vision of us running two sets of hustings and trying to get people to come out to slightly chilly church halls to listen to completely different debates on different nights—although it is perfectly possible to get people to come out to such events when elections take place at different times. Why make this happen when we do not have to?

Chris Bryant: Is the point not that elections to the Assemblies of Wales and Northern Ireland and to the Parliament in Scotland feel like general elections? Indeed, effectively the law treats them like general elections in that a free post is allowed through the Royal Mail and the broadcasters have to report events in certain ways. A conflict will arise if every 20 years we hold these elections on the same day.

Sheila Gilmore: I thank my hon. Friend for that information, and I do not think that Government Members appreciate that aspect. What we are talking about is not a local government election that we might be facing next year or in 2015. The elections we are talking about are not less important than general elections for people in Scotland, because people in Scotland consider the Scottish Government to be the Government of the country for the purposes for which they have powers. They are a Government: they have a First Minister, a Cabinet and a national aspect in the sense that they are the Government in a Parliament that covers the part of the UK that is Scotland. I am not trying to ignore Wales or Northern Ireland at all in this, and the same principles apply to them.

If we respect what we have achieved through devolution, it is important that we do not allow that to be swamped. We have those different debates and policies, and people have their chance to vote differently, which they do—I am not for a minute going to suggest that people will not vote differently on the same day, because I know that that can happen. The genuine ability to separate out these areas of politics and to allow each legislature its real place and presence within our constitution is simply being ignored by these measures. As I have said, it seems to me that there is no reason for that.

Mrs McGuire: My hon. Friend is making a powerful argument on the practical issues. Has she also had time to consider how the broadcasting authorities will maintain some element of balance, as they will have to schedule programmes for two different elections with two different political dynamics—with different parties being in different positions in different parts of the country? Are we not placing an impossible burden on those whom we are asking to implement the legislation currently going through the House?

Sheila Gilmore: I agree with my right hon. Friend. Yet again, that is another aspect of a situation that we are creating. Apparently—the hon. Member for Epping Forest (Mrs Laing) let the cat out of the bag—this is being done not for any good and strong constitutional reason or because we can argue about the history of the past 200 years, but because it suits this coalition Government to have this Parliament last for five years. It suits them to have this provision wrapped up with the other parts of the Bill, which will be debated later, to try to ensure that the coalition holds together. This is being wrapped up as a constitutional Bill and it is being presented as something that will last into the future but, given our constitution, it is possible for a future Parliament to change that, so we are not entrenching things.

Thomas Docherty: My hon. Friend mentions the future. Has she, like me, worked out that if we have a second five-year term, we will run slap bang into the local government elections in Scotland, which we have put back by a year? We would then have an even worse situation than the one in 2007, with a general election and the local government elections leading to hundreds of thousands of spoiled ballot papers.

Sheila Gilmore: I thank my hon. Friend for that information, because it adds to the important case that we are presenting. The people who find this highly

amusing clearly have not had the experience that we had. It is incumbent on a Government who said that they would want to look at the evidence and make decisions on the basis of hard facts to listen to the evidence being given by people who have been through this process and who understand the complexities of devolution in a situation where we still have a UK Government. We have had experience of this, as have the elected bodies, which have given their view very clearly to the UK Government but have been ignored. They were not consulted before this, but they gave their view and told of their experience, so it is not asking too much of any Government to say, "Perhaps we have not got this right."

Perhaps the simplest thing for the Government to do is not to try to see whether they could slip the election by a month, as has been suggested by some people. That would represent the worst of all possible worlds for the voters, let alone for the political parties. The simplest thing would be to say, "We have got this wrong, but we believe in fixed-term Parliaments." The Labour party proposed fixed-term Parliaments in its manifesto and the Liberals believe in them too. I am not sure whether the Conservatives believe in them, but they introduced this legislation so presumably they now do. We all seem to agree that there should be fixed-term Parliaments. On that basis, why are we having this debate? Because the coalition Government are so determined to stick to their first thought, which was to have five years.

The Government may be doing that only for advantage and to feel that they have the longest possible time in which to be the Government. I have to say to the hon. Member for Epping Forest that she and others on the Government Benches may feel that they have an entitlement to sit for five years, having been elected, but a lot of people in the country have a very different view. The majority party in the coalition did not get a majority for its policies. The junior partner in the coalition went to the people on a different set of policies, so the people who voted for the Liberals did not vote for the programme of this coalition Government. The Government's approach seems particularly unfortunate for democracy in this country, given that the Government do not have a mandate to rule in the majoritarian fashion that they are doing.

Lorely Burt (Solihull) (LD): Is the hon. Lady therefore saying that her party does not accept that a coalition of two parties is sufficient to run the country? Does she believe only in first-past-the-post majority rule, and must we keep having elections until we get some sort of majority Government by default?

Sheila Gilmore: Coming from Scotland and having seen both coalitions and minority Governments in operation, I am very open to various ways of running a Government. I would not for a minute want to suggest that it always has to be an absolute majority, that first past the post is what we need or that we need majorities.

Nic Dakin: My hon. Friend is making an eloquent and forceful argument, drawing on the arguments that we have heard before. She is saying very well that there is consensus in this House about fixed-term Parliaments, but that constitutional change should be undertaken very carefully to ensure that it creates a settlement that is sustainable and stable. Separating national elections from UK elections is an important part of that, because it makes for a crisper, more certain mandate from the people whom we have a duty to serve. When the people are going to the polls for the Assembly or the parliamentary elections, they should be clear that those are the prime elections to focus on. When there is a UK election, they can focus on that. For that reason, four-yearly terms would be much better at this time.

Sheila Gilmore: I thank my hon. Friend for his intervention, with which I wholly agree.

Ordinary electors thought that a hung Parliament would be a good idea, because they genuinely believed that there would be openness and that people would listen to different points of view. That has not happened. The strong views of the elected Governments of Wales, Scotland and Northern Ireland have not been listened to. The bulk of the evidence given to the Select Committee on Political and Constitutional Reform, of which I am a member, was clearly in favour of four-year fixed-term Parliaments. Why should that weight of evidence be ignored? Was that what people expected from a more consensual and open approach? I think that a lot of people thought that coalition meant that we would get the best bits from everyone and that everyone would sit around and have discussions—

Lorely Burt: We did.

Sheila Gilmore: The hon. Lady seems to think that they did get the best bits from everyone, but that makes it clear to me that she did not believe in the manifesto on which she stood because so many parts of it seem to have been ditched in favour of the policies of the other party.

A small and simple change—a very small concession—that would not in any way interfere with the principle of fixed-term Parliaments would make it far easier for the Bill to be passed relatively quickly. It would allow national elections in all parts of the United Kingdom to go forward in the best possible way and our devolved Parliaments and Assemblies to present their policies to the electorate in the way they want to.

8.45 pm

Our media are very England-centric—and, indeed, London-centric—although Government Members might not be so acutely aware of that as Opposition Members are, and I fear that the domination of the UK-wide poll and the important issues it involves, which must be dealt with, will be such that the important elections for the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly will, sadly, be overwhelmed. I fear that the issues, ideas and important policies that concern those elections will not be fully debated before the population, that the arguments will not be properly heard and that people will not get the chance to have their say about how those legislatures have functioned in the preceding years, but it is important that they should get that say.

The bulk of the evidence that the Select Committee heard was that what is being asked is not a lot. It seems to be simply stubbornness—perhaps it is about political advantage above all else—to stick to the same position in the face of all the arguments that we have heard. I

hope that it is not too late, even now, for the Government to rethink their position and to allow the Bill to pass through the House with the agreement of all parties because we have reached genuine consensus.

Stephen Pound: It is a delight and pleasure to serve under you, Miss Begg. This evening has been an extraordinarily educative process. We have looked very far back into the past and I should like to imagine some time in the future. I imagine a group of fresh-faced young students in some constitutional history class at some as-yet-unbuilt school—perhaps the Tony Blair faith academy, the Ann Widdecombe college of dance and drama or, hopefully, the Eleanor of Epping college of education for the daughters of gentlefolk. In one of those as-yet-unbuilt but glorious buildings, some pernickety pedagogue will turn to the class and say, "Let us go back to November 2010 and see what the House of Commons was debating." The pedagogue will say, "They were discussing the Fixed-term Parliaments Bill," and someone will ask, "What was the context?" The Government amendments before us refer specifically to compromise, but the key point is the context in which the Government are bringing the Bill before the House tonight. It is based on expediency, not ethics. Just as no good fruit can grow from a diseased tree, the coalition is like the upas tree, poisoning the soil all around it. They are trying to poison our very constitution with this appalling Bill.

The Temporary Chair (Miss Anne Begg): Much as I do not want to interrupt the hon. Gentleman's flow, I remind him that we are in Committee and that he must address his comments to the amendments before us, rather than the Bill in general.

Stephen Pound: I stand abashed, ashamed and corrected, but, as ever, eager to serve, Miss Begg. I was about to turn specifically to the amendment of the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards), who speaks for Plaid Cymru. The amendment is supported by a broad coalition of the better brains in the House, including the hon. Member for Na h-Eileanan an Iar (Mr MacNeil), whose constituency is possibly the most unpronounceable in Scotland. The amendment offers an alternative to the centralist, Stalinist, steel-like structure of a five-year Parliament. It offers something that we are prepared to support for the good of the nation although not all of us believe in it entirely in our hearts—a four-year fixed-term Parliament.

To see the amendments in the specific context, we have to think of what happened in May this year, when two groups of people were trying to buy a house. They were trying to bid for that great mansion of state that is this United Kingdom, and they found that even as the previous occupants were leaving with dignity from the front door, neither of them had enough money to buy the house, so they both moved in at the same time. Maybe they daubed the soffit with a bit of yellow and put a touch of blue on the eaves, but they had no choice.

You will no doubt be asking yourself, Miss Begg, how this relates to the amendments before us. That is precisely what I was coming to. I do not wish to comment on the sleeping habits of Liberal Democrats. That is far too exotic an area for me, but the camp bed in the living room and, in the master bedroom, surrounded by damask silken curtains, the great four-poster bed that the Conservatives occupy represent a compromise, which is the basis of the coalition.

The Bill on the Floor of the House today at the Committee stage refers to the creation of a structure that will bind together two disparate groups of people—the people who virtually bought the house and the lodgers on the camp bed in the front room. You may think that that is not relevant, and I would have to say, Miss Begg, that I agree with you, but the point that I am trying to make is that the Bill must be seen in the context from which it comes.

Chris Bryant: Is not the point, in relation to five-year or four-year fixed-term Parliaments, the one that was made by the professor of constitutional law at King's college London, Robert Blackburn who, in his evidence to the Select Committee, said of the genesis of the Bill that

"it is, I think, fairly clear that it is driven by the political self-interest of the coalition Government. They want to fix the lifetime of this Government—not the Parliament, but the Government"?

Stephen Pound *rose—*

The Temporary Chair: Order. The hon. Member for Ealing North (Stephen Pound) will have seen from my body language that he is not pleasing me. He is continuing with a Second Reading speech. He must address the amendments—not just mention them, but address the content of the amendments.

Stephen Pound: Miss Begg, I am, as ever, attendant to your body language and I am interpreting every flicker of that elegantly sculptured eyebrow, even as we speak.

The Septennial Act 1715, as amended by the Parliament Act 1911, is the Act that we will lose, should the Bill reach the statute book. The key point is that if, in the interest of expediency and of pleasing the coalition, we bring in a five-year fixed-term Parliament in contra-indication and contrast to the existing legislation, we place this country in peril indeed. The Bill at present on the Floor of the House at Committee stage, which I read with great care a few moments ago, is hedged around with all sorts of caveats so that an election may not be held on a day of national mourning or thanksgiving or on Christmas day. The Bill is limiting.

I support the amendment because that limitation restricts the right and privilege of the House to decide, under certain circumstances. There are emergencies or there may be some dramatic situation where an election has to take place. The removal of the royal prerogative, on this day of all days, is not something that I wish to comment on.

Mr MacNeil: The hon. Gentleman mentions days when the election can take place. Does he agree that the devolved Parliaments and Assemblies of the United Kingdom should be given proper respect, and therefore that new clause 4 should be supported? That would allow them to see whether particular days did not suit them. Whether it be Christmas, Burns night, Hallowe'en or whatever, they should be given the choice if there were a clash between the elections to this place and to the great Parliament of Scotland, and the attendant media were unable to cope.

Stephen Pound: Today is Eid al-Adha, and that is an important factor that should be taken into consideration. At the risk of offending my hon. Friend the Member for Edinburgh East (Sheila Gilmore) and being too London-centric, there are different times in different parts of this United Kingdom when an election may not be appropriate. Judging by the results, it seems we may have had an election on Hallowe'en on a few occasions, but there are certain days on which demonstrably we should not be doing so. However, by limiting ourselves in this way, by applying this template of centralism to the whole structure, we put ourselves in danger, which is why new clause 4, an elegantly crafted piece of work, which stands by itself in all its wonder and majesty, is something that we should happily support.

Clause 2(4), to which the amendments relate, shows the dreadful problems that we have. It states:

"Before issuing a certificate, the Speaker of the House of Commons must consult the Deputy Speakers (so far as practicable).

What thought has gone into this, when it says "so far as practicable"? The amendment addresses that specific point.

The Temporary Chair: The amendments that we are debating relate to clause 1, not clause 2, so I ask the hon. Gentleman to return to the amendments on clause 1.

Stephen Pound: You are absolutely correct, as in all things, Miss Begg.

Nic Dakin: I am following my hon. Friend's argument very carefully, as all hon. Members will be. Is it not true that all the evidence is that in their fifth year Parliaments run out of steam and get tired, and the country is impatient for democratic renewal, and is not that why we should have four-year Parliaments or, as my hon. Friend the Member for Great Grimsby (Austin Mitchell) argued, three-year Parliaments?

Stephen Pound: One reason why I support clause 1, page 1, line 13, is not because I am massively enamoured of the joys of four-year Parliaments as opposed to five-year Parliaments, nor because I think that there is a natural rhythm in the political cycle that means that every few years we get exhausted and have to have an election, but because it is the least-worst option. It is unfortunately a fact that sometimes we have to present that option. I happily present the hon. Gentleman from the constituency that one day I will be able to pronounce.

Mr MacNeil: There has been confusion in the House that somehow five years is bad and four years is good. It is almost Orwellian. The fact that five years in the UK has turned out to be bad is because people tend to leave it to five years. The reason I support four years is not because I think five years is particularly bad, but four years is long enough to spend without going back to the people to ask for another mandate. It is a democracy, after all, and ultimately the people, through the ballot box, rule. Politicians and elected people are stretching the credulity of the electorate to go beyond four years. The example of Scotland again is tremendous for Westminster.

Stephen Pound: Amendment 11 addresses these points. The reality is that if we had a fixed-term Parliament—I appreciate I am arguing for a fourth year rather than a fifth year—what dreadful temptations would come the way of susceptible politicians? Legislation would be front-loaded, knowing that there was never the possibility of an early election by which they might be made accountable to the people. I appreciate that clause 1 may be influenced by future legislation on recalls. We could find ourselves with so many recall petitions that we in fact have a new Parliament in the middle. There are certain aspects in the Bill later—not specifically relevant to clause 1, before you mention it, Miss Begg—which refer to the power to dissolve. But the most important, most salient point here is that if we locked the system into a four-year or five-year cycle, we would lose that glorious uncertainty of the democratic oversight. We would lose that concern, may I say, even, on occasion, that fear of the electorate, which is the honest emotion that parliamentarians should always feel.

Mr MacNeil: The reason we want a fixed-term Parliament, particularly those in minority parties, who are never in the party of government in this situation—in Scotland we made sure that it is far more democratic—is not the fear of the electorate, it is the fear of the Government, using the particular wins that they have created for their own advantage in a narrow period of time. There is an advantage in a fixed-term Parliament. Some people prefer five, some people prefer four. I am in the four camp—

The Parliamentary Secretary to the Treasury (Mr Patrick McLoughlin): Will the hon. Gentleman give way?

Mr MacNeil: I will give way to the right hon. Gentleman when I make my own speech.

9 pm

Stephen Pound: I am grateful for the hon. Gentleman's intervention, because mention was made earlier—perhaps too much mention for many of us—of the American political system, where, by having fixed terms, there is permanent campaigning and fundraising, a permanence that takes away what I referred to as the glorious uncertainty borne of the possibility and potential of hearing the people's voice. The voices of the funding committees and various other supportive bodies are heard, but that sword of Damocles, which should be hanging over the head of every politician in a modern democracy, is somehow removed, because it is winched slowly down by clockwork, instead of dangling from a piece of monofilament.

Now, I think that the right hon. Member for Derbyshire Dales (Mr McLoughlin) wanted to intervene.

Mr McLoughlin *indicated dissent.*

Stephen Pound: Are you sure?

I hope that I have expressed tonight a sincere and heartfelt view that, just as everything must be seen whence it sprang, this Bill, which we are considering in Committee, has sprung from a coalition that is fundamentally unsound and based not on political realities but expediency. The group of proposed changes before us, which would set the date, elections and length of a Parliament, would go some way towards mitigating this—I dare not say "evil", because that would be too strong a word—sordid, mean, pettifogging, limp, expediency of a Bill.

Mark Durkan: I thank my hon. Friend for giving way.

Jonathan Edwards: Is he your friend?

Mark Durkan: I confess.

My hon. Friend makes the point about the number of amendments in this group, and they aim to ensure not just that the term is fixed at four years, but that the cycle of fixed terms does not clash with the cycle of fixed terms for Scotland, Wales and Northern Ireland elections. This Chamber has already imposed a UK referendum on those elections next year, and now, under this Bill, the Government want to impose a UK general election on the devolved elections in 2015 as well.

Stephen Pound: My hon. Friend, not for the first time and almost certainly not for the last, makes a very powerful and pertinent point. If the Bill proceeds tonight without the benefit of the amendments that we are discussing, it will be not just the political cycle that is locked into a four or five-year time frame, but the economic cycle and so many other aspects of life. They will then be locked into a fixed term. That fixed term will apply not just to Parliament, but to the country, and that is dangerous. It is dangerous if we always assume that, no matter what a Government do, they can get away with it, because there will be no election for three, four or, heaven forbid, five years.

That is the danger, and that is when the markets start to build in an assumption of front-loading and when other countries assume that, although there may or may not be a change of Government in the future, there will not be one at that moment in time. That is when offence is given to all parts of this nation with different traditions, different histories and different days of great and signal importance. There are so many fears, so many concerns, so many worries, and the case made for the group of amendments is so powerful and so much a matter of righteousness that it would be otiose of me to continue to press it any longer.

I sit down, Miss Begg, with apologies if I may on occasion have strayed slightly from the purity of the amendments before us, but I hope profoundly that this House will tonight agree that the people matter more than political fixes, and that somehow this is about the constitution, not about the coalition.

The Parliamentary Secretary, Cabinet Office (Mr Mark Harper): It is a great pleasure to speak with you, Miss Begg, in the Chair.

A number of Members said that they thought that the Government would be running out of steam, but it is a very clear sign that the Opposition are running out of steam when they have to wheel members of the Whips Office in to argue a case—a case, actually, against their own Front Benchers. Their Front Benchers are in favour of four-year terms, so the hon. Member for Ealing North (Stephen Pound) would have done a better job if he had troubled to read the Bill, the amendments and clause 1.

In addressing the amendments that deal with clause 1 on the proposed length of the fixed term and the date of the next election, it might be helpful to explain at the outset why the Government have taken the approach that we have set out in the Bill. The Government announced in the coalition agreement our intention to introduce a Bill for fixed-term Parliaments, and I have listened to a good number of arguments for and against the proposed five-year term, not least today. The Government strongly believe that a five-year fixed term is right, not only for this Parliament but for subsequent Parliaments, as it will provide the country with the strong and stable Government that it needs.

Mr MacNeil *rose—*

Mr Harper: Let me make a little more progress, and then I will give way.

We have heard arguments in favour of a four-year or three-year fixed term. However, the statistical evidence shows that if we exclude the three very short Parliaments since the war, the average length of Parliaments has approached four and a half years. The first point that I would make in respect of the arguments for four-year or three-year Parliaments is that those advocating them gave insufficient regard to the current arrangements, which my hon. Friend the Member for Epping Forest (Mrs Laing) outlined in observing that this Parliament is able to sit for five years. Indeed, if the Prime Minister wanted to achieve the aim of this Parliament sitting for five years, he would merely not ask the Queen to dissolve it for five years. The Bill has nothing to do with extending the term of this Parliament.

Mr MacNeil: If the hon. Gentleman is such a strong advocate of five years for a Parliament, would he extend that strength of feeling to the devolved legislatures to enable them to have five-year terms as well? If we do the multiplication—five times four equals 20—it is clear that we will have the problem of the two dates clashing every 20 years. Would he be happy for Scotland, Wales and Northern Ireland to move to five-year terms as opposed to four?

Mr Harper: The problem to which the hon. Gentleman is alluding is the once-in-every-20-years coincidence of dates. If he will allow me to make some progress, I will address those issues later in my remarks.

Chris Bryant: The Minister is being extremely disingenuous. He said that the Prime Minister can keep going until 2015 if he wants to, but that is not the case—he does not have a majority. In fact, the words of Robert Blackburn to the Select Committee are right:

> "The Liberal Democrats want to be sure that the Conservative leadership would not cut and run in the same way that a minority Administration with an informal pact with the Liberal Democrats in Parliament might—as in 1974".

The other side of the coin is that the Conservatives want some guarantee that the Liberal Democrats will not change their minds. The Prime Minister needs this Bill to keep the coalition in power until 2015.

The Temporary Chairman (Miss Anne Begg): Order. May I remind the hon. Gentleman that "disingenuous" is not necessarily a parliamentary word?

Chris Bryant: I am sorry, Miss Begg—I did not mean to suggest that the Minister was misleading the House. I think that his argument is misleading, but I am sure that he is not trying to mislead the House.

Mr Harper: I am grateful, Miss Begg.

The hon. Gentleman is missing the point. He says that the Government can continue in office only if they retain the confidence of the House. I will not dwell on this at length, Miss Begg, because that would be to move on to arguments that we will make when we come to clause 2. The Bill contains provisions whereby we will have a fixed-term Parliament, but subject to two conditions: first, this House will, for the first time, have the power to cause an early general election; and secondly, we are keeping the provision that a Government have to retain the confidence of the House. The hon. Gentleman is simply wrong.

Some Members, in trying to argue that four years is the norm and five years is only for Governments who are clinging on to power, have pointed to examples of Parliaments that have lasted closer to four years than five. That completely overlooks the fact that elections that are called early, before the five-year term is up, are often those where the Prime Minister of the day thought that doing so might give their party a political advantage. It was not that they somehow thought that four years was the more constitutionally appropriate length of time for them to hold office.

Advocates of three or four-year terms are using as their strongest argument the very enemy that the Bill is designed to combat, which is political expediency at the expense of national interest. The right hon. Member for Stirling (Mrs McGuire), who is no longer in her place, asked why Labour did not think of the idea in 1997. I can tell her that it was because the then Prime Minister, Tony Blair, wanted to preserve his ability to cut and run and seek an election at whatever opportunity he thought best.

Mr Andy Slaughter (Hammersmith) (Lab) *rose—*

Mr Harper: I am not going to give way to the hon. Gentleman. He has not been here for most of the debate, so he can just stay in his seat.

The hon. Member for Rhondda (Chris Bryant) effectively makes the case for Prime Ministers being able to cut and run. The current Prime Minister is the first one who has put aside that ability in the move to a fixed-term Parliament.

Mr Shepherd: My hon. Friend sets aside the words of Asquith, who predates any shenanigans on the matter, but will he consider the fact that the longest-serving Prime Minister of the last century was Lady Thatcher? She had four-yearly elections like a metronome, so there is experience of the concept of Prime Ministers believing that four years is an appropriate time.

Mr Harper: I am glad that my hon. Friend mentions Baroness Thatcher, who of course was a great Prime Minister and served this country well. I remember the elections that she called in 1983 and 1987, which she won with resounding majorities and continued to serve the country. I am sure that if she were here, she would agree that when she asked Her Majesty the Queen to dissolve Parliament, she thought about the likely consequences of those elections and the likelihood that the Conservative party would be returned to office. She was a politician—a very successful one—and I do not think I do her a disservice if I point that out.

Mr Slaughter: Will the Minister give way?

Mr Harper: No, I am terribly sorry, but the hon. Gentleman has not been here for the debate, so I am not going to give way to him.

My hon. Friend the Member for Loughborough (Nicky Morgan) drew attention to one of our arguments about the need for long-term thinking. Many commentators, politicians and members of the public would argue that Governments can be too short-term in their planning and decision making. We want to encourage future Parliaments and Governments to take a long-term view rather than look for short-term advantages. As a number of my hon. Friends have argued, a five-year fixed term would provide the country with a strong and stable Government.

I turn to the amendments in this group. The hon. Member for Great Grimsby (Austin Mitchell), who is not in his place, seeks to set the length of Parliaments at three rather than five years. I think perhaps he did himself a disservice when he quoted remarks of his own constituents suggesting that a three-year term was needed so that he might last it, because of his age. I am only repeating what he said; I do not agree with it myself. However, I simply do not agree with his argument. The flaw in it came when he said that the Government parties wanted not a fixed term but a five-year term. However, my right hon. Friend the Prime Minister is perfectly capable, while the Government retain the confidence of the House, of having a five-year term of office. That has always been the constitutional position, and the Bill is not necessary to ensure it.

Tristram Hunt: Will the Minister give way?

Mr Harper: I will, because the hon. Gentleman has been here for the debate.

Tristram Hunt: In some of the speeches that we have heard from the Deputy Prime Minister—I understand that he is giving one to the Hansard Society tonight rather than being in the Chamber to discuss the Bill, which is rather scandalous—there has been much talk about the Chartists and how this great reform is an echo of the 1840s. The Chartists were in favour of yearly elections, so why does the Deputy Prime Minister deny the will of the people by keeping Parliaments at five years?

Mr Harper: The hon. Gentleman is quite right about the point that the Chartists made, but I do not happen to think that annual elections would be a good idea, and from my experience I am not sure that the people of this country would be over-enamoured of us if we said that we would trouble them with a general election every year. I believe that they will be content with our proposal. We do not want to end up with a situation in which the people of the United Kingdom are subject to a permanent election campaign. That is the evidence that the Constitution Committee in the other place has received. My hon. Friend the Member for Peterborough (Mr Jackson) drew attention to the matter when he looked at the US congressional experience in the lower House where, effectively, as soon as Congressmen get elected, they instantly turn their thoughts to their re-election and spend most of their period of office having to raise money for expensive election campaigns.

9.15 pm

Mr MacNeil: Let me pick up on that point about the American Congress and the House of Representatives. There are a number of American politicians—those in safe seats and those who are unopposed—who are not on a constant campaign. The Minister made a fair point about Lady Thatcher, especially given the partisan point that he could have made. She looked at the party advantage of her electoral cycle and that is why she probably went for four years. If the Minister does not support the five-year terms for the devolved legislatures, will he support new clause 4 that would allow the devolved legislatures to avoid the clash with the Westminster Parliament?

Mr Harper: If the hon. Gentleman will forgive me, I will soon get to that point and to new clause 4. I just want to take this in order.

My final point for the hon. Member for Great Grimsby—he did not address this in his remarks, so I can only assume that it is an oversight—is that his amendment would mean that the next election would take place on a Tuesday. He gave us no indication of why he would want to do that, so I assume that his amendment is technically as well as logically flawed.

Let me turn now to amendments 11, 12 and 13, the first of which was ably moved by the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards), and supported by those on the Opposition Front Bench. The amendments primarily make the argument for four-year terms, which is probably a good moment to pick up on the point about the coincidence with the devolved elections. The hon. Member for Edinburgh East (Sheila Gilmore) was a little too soon in her criticisms of what Ministers will do, because she had not actually heard what I was going to say. She did exactly the same when we debated the Parliamentary Voting System and Constituencies Bill, and she was not correct in what she said. The Committee, of which she is a member, was behind an amendment that was moved by my hon. Friend the Member for Epping Forest. Although we did not accept the amendment, we took it away and brought back a Government amendment to do exactly what the hon. Lady wanted, which was to reduce the ability of Ministers to interfere with a boundary commission report. It was not true to say that we did not listen to the House; we tabled an amendment that was inspired by the Committee of which she is a member. The Government do listen.

When the Deputy Prime Minister made the statement on 5 July, he recognised that the coincidence of the devolved elections in 2015 with the UK general election was qualitatively different from the coincidence of the referendum and the elections next year. He has discussed the matter with the devolved Administrations and the Presiding Officers. He said that he would look at the matter, and he has kept that promise. I can tell the House that we will consult the parties in the devolved Scottish Parliament and Welsh Assembly to give them the power to defer the date of their elections by up to six months—in other words, to move the election into the future to avoid coinciding with elections to this House.

I shall write to the First Ministers, the Presiding Officers and all the parties represented in the Scottish Parliament and the Welsh Assembly tomorrow to set out that plan. My right hon. Friends the Secretaries of State for Scotland and Wales will be available to discuss those matters with parties represented in the Parliament and the Assembly.

Mr MacNeil: I am grateful for what I feel is the partial acceptance of new clause 4. How drawn is the Minister to the time of six months?

Mr Harper: That is something that we will be able to discuss when we consult Members in the other places. This power will only be exercisable in the years in which elections coincide, because it is to deal with that specific issue; it is not a general power. As for the ability of the Parliament and the Assembly to bring their elections forward, we feel that two-thirds of MSPs or AMs would be needed to support such a move. As the hon. Gentleman said, this is not a power that should not be given to the Administrations; this is a power that should be given to the Parliament and the Assembly.

Several hon. Members *rose—*

Mr Harper: I will give way to the hon. Member for Na h-Eileanan an Iar (Mr MacNeil) again, and then I will give way to the hon. Member for Rhondda. If the hon. Member for Foyle (Mark Durkan) will give me a moment, I will get to Northern Ireland and then I will take his intervention if he still wishes to make one.

Mr MacNeil: I am grateful to the Minister for giving way once more. I do not want to seem pedantic, but for the sake of clarity, does he mean that two thirds of the relevant devolved legislatures can move elections both back and forward, or only back?

Mr Harper: The position at the moment is that two thirds can bring about an early election, and there is no power to extend the term, so to answer the hon. Gentleman's question, that means two thirds for both.

Chris Bryant: I apologise if this is a similar point to the one made by the hon. Member for Na h-Eileanan an Iar (Mr MacNeil). The legislatures already have the power to bring forward elections, but there is to be a power to extend. In effect, therefore, the Government are extending this Parliament, the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly for the convenience of the coalition. In essence, the Minister is saying that the motto of the Government is "Fewer Elections".

Mr Harper: No. The hon. Gentleman must not keep giving the Committee misleading arguments. The Bill does not extend the term of this Parliament—this Parliament can run for five years. Members of the devolved Parliament and Assemblies have asked the Government to think about how they can make a decision on whether to move the date—a sensible provision—of elections.

Mr MacNeil *rose—*

Chris Bryant *rose—*

Mr Harper: Let me finish setting out this point, because I might be about to deal with any questions that the hon. Gentlemen have.

The Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly currently have the power to vote with a two-thirds majority for early Dissolution. In Scotland and Wales, the relevant Acts provide that if the early Dissolution is more than six months before the scheduled election, the scheduled election must still take place. Elections to the devolved legislatures must be held on the first Thursday in May. We want to give them the power to extend, because if they have only the power to hold elections earlier, elections would effectively have to be held in the depths of winter. The Government have listened on that point, which is why we want to consult the legislatures on the ability to extend the date, which will give them much more flexibility.

It is worth making two other points. First, Scottish Parliament and Welsh Assembly elections are materially different from local government elections in England. The Scottish Parliament and the Welsh Assembly are legislatures, and they already have a limited power to vary the date of their elections. In England in recent decades, general elections have frequently been combined with local elections. Combining local and mayoral elections with a UK general election is normal practice in England. It is easily managed and should continue unchanged.

Chris Bryant: The Minister is obviously making a sensible proposal in that regard, but I presume that such a change requires primary legislation, and that he intends to advance that in the Bill. I hope that he does not expect to make amendments in the House of Lords. Will he give an undertaking this evening that any such proposal will be made on Report in this House, and not at any later stage?

Mr Harper: I am glad that the hon. Gentleman on behalf of the Labour party recognises that my proposal is sensible. We will consult with the parties in the Scottish Parliament and Welsh Assembly and introduce those changes at a later stage—I hope to do so sooner rather than later.

Chris Bryant: In this Bill?

Mr Harper: In this Bill, and I hope sooner rather than later.

Chris Bryant: In this House?

Mr Harper: I hope that it will happen sooner rather than later.

The position in Northern Ireland is slightly different. One difference in the Northern Ireland settlement is that if the date of the election is brought forward by whatever period, the original scheduled election does not have to be held. Also, the responsibility for Assembly elections, including the date, remains a matter for the Northern Ireland Secretary. He also holds the power to shift the date by two months either way, whereas the date for Scottish Parliament and Welsh Assembly elections can be shifted by only one month. I have discussed that in great detail with Northern Ireland Ministers.

Given the difference of the Northern Ireland settlement, and that next year there is a triple combination of Assembly elections, local elections and the referendum, Northern Ireland Ministers want to learn form that experience to see whether the existing power is sufficient or whether they wish to modify it. They will consult parties in Northern Ireland, both now and after next May, to see whether a further change needs to be made. If so, we will legislate to bring it into force.

Mark Durkan: I thank the Minister for recognising that the position in Northern Ireland is different. In putting my name to new clause 4, I was conscious that it was in clear tension with sections 31 and 32 of the Northern Ireland Act 1998, to which he alluded. Will he give an explicit assurance, however, that Ministers in the Northern Ireland Office will involve all the parties in Northern Ireland in discussions? The 1998 Act was derived from the Good Friday agreement, was based on negotiations and agreements with all parties, and should be amended only by using the proper review mechanisms in full and true spirit.

Mr Harper: As in Scotland and Wales, we want to hold these discussions with all the parties represented in the Northern Ireland Assembly, because this is a matter not for whoever happens to be running the Administration, but for the Assembly and all the parties represented in it.

Mark Durkan: Will the Minister indicate whether Ministers might at least be open to hearing a clear statement from all the parties, and perhaps the Assembly at large, that our preference would be for parliamentary elections on a four-year cycle, so that they do not clash with the Assembly? That would be the easiest way to avoid all sorts of problems. The formula that the Minister is using to allow the Northern Ireland Assembly to move its date might be an unachievable test: it might be impossible in the mixed-party circumstances of Northern Ireland ever to achieve a two-thirds majority, so we could be left with a political crisis and uncertainty. It would be a lot better to fix the cycles.

Mr Harper: There are two issues there. First, we recognise that the existing legal position and structure of politics in Northern Ireland are different, which is why we have adopted this different approach. There will therefore be extensive consultation with Northern Ireland Ministers and all the parties in Northern Ireland.

The hon. Member for Foyle (Mark Durkan) hit on a second point though. Changing the cycles and adopting four-year terms for both this Parliament and the devolved legislatures would not solve the problem, because there can be early elections—if, for example, there is a vote of no confidence. If we had four-year cycles for everything and one early election, we could end up with the cycles coinciding not once every 20 years, as under our proposals, but at every general and devolved election, which would make the problem worse not better. Under our proposals, the coincidence will happen only once every 20 years, not more frequently.

Jonathan Edwards: In the light of the Minister's concessions this evening, which we welcome, will he hold back Report to allow us to table further amendments?

Mr Harper: The hon. Gentleman, who has been following the Bill's progress very closely, will know that we have allocated the second day in Committee for next Wednesday, but we have not announced a day on Report,

[Mr Harper]

so there is not a date to hold back. We have not been rushing through the Bill's proceedings at great pace.

There was great discussion about the Gould report.

Mr MacNeil: I have three points for clarification. Is the Minister guaranteeing that there will be no clash of election days between, say, Scotland and Westminster? Will he guarantee that the six months he has spoken about will be put into legislation? Finally, who will have the power to shift the dates? We feel that that should be for the devolved legislatures. Also, the point made by the hon. Member for Foyle (Mark Durkan) about the difficulties of getting a two-thirds majority was apposite. But it is all in the mix.

Mr Harper: I thought that I made it clear that it would be a two-thirds decision for—in the hon. Gentleman's case—the Scottish Parliament. It could not be a simple majority, because effectively that would give the power to the First Minister of Scotland or someone leading a majority Administration simply to choose a date that suited them—and that would be wrong. It would therefore be for the Parliament to make a choice about the election date.

Mr MacNeil: The choice?

Mr Harper: The Scottish Parliament would have the choice to consider the date. It could be moved by up to six months—it does not have to be six months—but it would be for the Parliament to make the decision. I gave a commitment that we would make that change in the Bill at a later stage of its progress.

Let me turn briefly to amendment 32, to which my hon. Friend the Member for Epping Forest (Mrs Laing) spoke on behalf of the Select Committee on Political and Constitutional Reform and which was effectively about whether we should reset the clock when there is an early election. The Committee's train of thought, which she set out, was that if a party knew that it would get only the remainder of the term, it would be less inclined to pass a Dissolution motion or a no-confidence motion. Her Committee suggested that if that was the case, we would not need the super-majority proposal for an early Dissolution. There is a technical problem with amendment 32 as drafted, because it would allow an early election to be held at any time, right up to the next scheduled election, but would still force the scheduled election to take place, so we could have an election in March and then another in May, which would not be very sensible.

9.30 pm

Tristram Hunt: Will the Minister give way?

Mr Harper: Let me just finish this point. The Government could not accept amendment 32 as drafted even if we thought that keeping the clock ticking was the right thing to do. However, we thought about the issue carefully, which we also debated a little on Second Reading. The Government did not think that resetting the clock made sense for this reason. If there were an early election because the Government had lost their majority and gone to the country, and a Government were then returned with a significant majority, it would not be right for that Government, perhaps with a clear mandate, to be unable to put their programme to the country and carry it through. When people go to the polls, they expect that they are electing a Government who will last for a full term, with the ability to carry through a full programme. The Constitution Committee in the other place considered the evidence from other countries, including the Swedish model, and was told that the prospect of leaving the clock ticking actually protected the Government—the Executive—rather than the Parliament.

Tristram Hunt: Will the Minister give way?

Mr Harper: Let me make some progress.

Finally, new clauses 4 and 5 would provide that elections to this House and the devolved legislatures could not occur on the same day. The problem with that proposal is that if it were agreed, it would provide that where a devolved legislature's general election had been moved, the following poll would take place on the first Thursday in May four years later. For example, if one of the devolved legislatures delayed its 2015 elections by one year, elections to that legislature and the House of Commons would coincide again in 2020. New clauses 4 and 5 would mean that those elections would have to be moved again in 2020, so they are actually a back-door method of substituting a five-year term for the devolved legislatures.

I do not know whether that was the intention of the hon. Member for Carmarthen East and Dinefwr, who spoke so powerfully against a five-year term and in favour of a four-year term, but the effect of his new clauses would be to deliver a five-year term through the back door. For that reason I do not think that it would be very sensible to accept them. Also, new clauses 4 and 5 do not make provision for a super-majority, which appears to suggest that a majority Government in a devolved legislature could just play around with the election date to suit themselves, which is the opposite of what we are trying to achieve in this Bill. The Government therefore cannot accept new clauses 4 and 5, and I would ask the hon. Gentleman not to press them to a Division.

In conclusion, I thank all hon. Members who have taken part in this debate, particularly those who were here for the whole debate and those who have tabled or supported amendments to clause 1. The Government are convinced that our Bill as drafted provides the right approach. I would urge hon. Members not to press their amendments to a Division and to support clause 1.

Chris Bryant *rose—*

The Chairman of Ways and Means (Mr Lindsay Hoyle): Order. I am going to allow Mr Chris Bryant in, but I know that he is going to make a very brief contribution.

Chris Bryant: I am grateful to you, Mr Hoyle. I want to speak only because the Minister made some announcements in his speech that are obviously significant. *[Interruption.]* The hon. Gentleman says, in a rather self-righteous tone, that he made them to Parliament, and we are delighted that he has done so—I presume that that is a criticism of his colleagues, not of anybody

else in the Chamber. However, he has made some important announcements. He excoriated my hon. Friend the Member for Edinburgh East (Sheila Gilmore) for referring to the Government position before we had heard what it was, but as the Government chose not to make their position known until the very end of the debate, it is hardly her fault. As he knew that he was going to make his announcement this evening, he could perfectly well have written to all parties concerned to make it clear that he wanted to consult on the issue. I suggest that that would have shown slightly more respect to the Committee and to the various political parties involved.

The Minister is proposing a change, but I note that so far he has not been prepared to say whether, if he intends to table further amendments, he will do so in this House. I wholly respect the powers and intelligence of the House of Lords to make sensible amendments, and I hope that it will do so to several pieces of legislation. However, I believe that amendments to legislation that affects elections should be debated and made in the elected House, not in the unelected Chamber. That is why I hope that at some point the Minister will make good his suggestions, that he will guarantee to debate those amendments in this House first, and that we will not have Report stage until such time as those amendments have been made in this House.

Jonathan Edwards: Diolch, Mr Hoyle. We have had an interesting and informative debate. I shall quickly run through some of the contributions. As ever, the hon. Member for Aldridge-Brownhills (Mr Shepherd) made some passionate and honest points. He is always respected throughout the House. The hon. Member for Great Grimsby (Austin Mitchell) argued coherently and in detail. I cannot support his amendments, but I am glad that he will support ours this evening. The hon. Member for Brigg and Goole (Andrew Percy) made excellent points about the need to ensure that UK general elections are held separately, and I am glad that the Minister accepted those points. The hon. Member for Rhondda (Chris Bryant) made pertinent points about the Bill essentially entrenching the coalition rather than being concerned with democracy. I can only apologise to him for getting to the Table Office before him.

With her usual eloquence, the hon. Member for Epping Forest (Mrs Laing) highlighted the views of the Political and Constitutional Reform Committee, and I thank her for her comments. The right hon. Member for Stirling (Mrs McGuire) spoke passionately about the political motives behind the Bill. The hon. Member for Dunfermline and West Fife (Thomas Docherty) gave an insightful historical lesson on the US constitution and relevant comparisons. The hon. Member for Edinburgh East (Sheila Gilmore) reminded us of the 147,000 spoiled ballots in Scotland in 2007 due to the coupling of the local government elections and the Scottish Parliament elections on the same day.

The hon. Member for Ealing North (Stephen Pound), as ever, made a compelling and entertaining speech, and I only wish that I had his oratorical talents.

Stephen Pound: My wife is Welsh.

Jonathan Edwards: That is important. It must be the Maesteg blood.

The Minister made the Government's case, which was also made on Second Reading. I welcome his comments on consulting the devolved Administrations about changing their dates by six months. That is a significant step forward. If he were able to promise that he would legislate following the consultation on the National Assembly elections—in the case of Wales it would not be the Secretary of State who would determine that matter but the Assembly, as the sovereign body—I would press only amendment 12 to the vote tonight on the point of principle that the Committee should decide whether we should have a four-year or a five-year cycle. Diolch.

Question put, That the amendment be made.

The Committee divided: Ayes 242, Noes 315.

Division No. 118] **[9.38 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Creagh, Mary
Creasy, Stella
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Mr Tom
Havard, Mr Dai

Healey, rh John
Hendrick, Mark
Hermon, Lady
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollobone, Mr Philip
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacNeil, Mr Angus Brendan
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Mr Alan
Mearns, Ian
Michael, rh Alun
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Percy, Andrew
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Shepherd, Mr Richard
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Wright, David

Tellers for the Ayes:
Pete Wishart and Lilian Greenwood

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burrowes, Mr David
Burstow, Paul
Burt, Lorely
Byles, Dan
Cairns, Alun
Campbell, Mr Gregory
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Duncan, rh Mr Alan
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy

Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Simmonds, Mark
Simpson, David
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Norman Lamb

Question accordingly negatived.

Amendment proposed: 12, page 1, line 7, leave out 'fifth' and insert 'fourth'.—*(Jonathan Edwards.)*

Question put, That the amendment be made.

The Committee divided: Ayes 246, Noes 313.

Division No. 119] **[9.53 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Beckett, rh Margaret
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Creagh, Mary
Creasy, Stella
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Denham, rh Mr John
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne

Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Goggins, rh Paul
Goodman, Helen
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Mr Tom
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hermon, Lady
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollobone, Mr Philip
Hood, Mr Jim
Hopkins, Kelvin
Hosie, Stewart
Howarth, rh Mr George
Hunt, Tristram
Illsley, Mr Eric
Irranca-Davies, Huw
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Llwyd, Mr Elfyn
Love, Mr Andrew
Lucas, Caroline
MacNeil, Mr Angus Brendan
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Mr Khalid
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Mr Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Munn, Meg
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Percy, Andrew
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruane, Chris
Ruddock, rh Joan
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Weir, Mr Mike
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Wicks, rh Malcolm
Williams, Hywel
Williamson, Chris
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Wright, David

Tellers for the Ayes:
Pete Wishart and Lilian Greenwood

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Barclay, Stephen
Barker, Gregory
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Blunt, Mr Crispin
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burrowes, Mr David
Burstow, Paul
Burt, Lorely
Byles, Dan
Cairns, Alun
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Elwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gilbert, Stephen
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hancock, Mr Mike
Hands, Greg
Harper, Mr Mark

Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, Mr David
Lilley, rh Mr Peter
Lloyd, Stephen
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Ottaway, Richard
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Rifkind, rh Sir Malcolm
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spelman, rh Mrs Caroline
Spencer, Mr Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Uppal, Paul
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Wright, Simon
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
James Duddridge and Stephen Crabb

Question accordingly negatived.

To report progress and ask leave to sit again.—*(Jeremy Wright.)*

The Deputy Speaker resumed the Chair.

Progress reported; Committee to sit again tomorrow.

PARLIAMENTARY CONTRIBUTORY PENSION FUND

Ordered,

That Sir John Butterfill, Nick Harvey, Dr Howard Stoate and Lord Touhig be discharged as Managing Trustees of the Parliamentary Contributory Pension Fund and Mr Brian H. Donohoe, Richard Harrington, David Mowat and John Thurso be appointed as Managing Trustees in pursuance of Section 1 of the Parliamentary and other Pensions Act 1987.—*(Mr Heath.)*

HOUSE OF COMMONS MEMBERS' FUND

Ordered,

That Nick Harvey, Eric Martlew, Dr Nick Palmer and Dr Howard Stoate be discharged as Managing Trustees of the House of Commons Members' Fund and Mr Brian H. Donohoe, Richard Harrington, David Mowat and John Thurso be appointed as Managing Trustees in pursuance of Section 2 of the House of Commons Members' Fund Act 1939.—*(Mr. Heath.)*

Business without debate

PUBLICATION OF INFORMATION ABOUT COMPLAINTS AGAINST MEMBERS

Motion made,

(1) That this House approves the Sixth Report of the Standards and Privileges Committee, Session 2010-11, HC 577; and

(2) That accordingly—

a. The Commissioner may publish papers relating to complaints rectified or not upheld since the beginning of financial year 2008-09 and information about complaints received and matters under investigation since the beginning of financial year 2010-11.

b. Standing Order No. 150 be amended, by inserting the following new paragraph after paragraph 10.

"(10A) The Commissioner shall have leave to publish from time to time—

(a) information and papers relating to—

(i) matters resolved in accordance with paragraph (3) of this order; and

(ii) complaints not upheld;

and

(b) information about complaints received and matters under investigation." —*(Mr Barron.)*

Hon. Members: Object.

POWER OF THE PARLIAMENTARY COMMISSIONER FOR STANDARDS TO INITIATE INVESTIGATIONS

Motion made,

(1) That this House approves the Seventh Report of the Standards and Privileges Committee, Session 2010-11, HC 578; and

(2) That accordingly Standing Order No. 150 be amended, by leaving out paragraph (2)(e) and inserting in its place:

"(e) to investigate, if he thinks fit, specific matters which have come to his attention relating to the conduct of Members and to report to the Committee on Standards and Privileges or to an appropriate sub-committee thereof, unless the provisions of paragraph (3) apply.

(2A) In determining whether to investigate a specific matter relating to the conduct of a Member the Commissioner shall have regard to whether in his view there is sufficient evidence that the Code of Conduct or the rules relating to registration or declaration of interests may have been breached to justify taking the matter further." —*(Mr Barron.)*

Hon. Members: Object.

PETITION

Closure of Ryedale Ward, Malton Hospital (North Yorkshire)

10.10 pm

Miss Anne McIntosh (Thirsk and Malton) (Con): The petition, which is from Dr Michael Lynch and in the name of 1,750 other petitioners, states:

The Petition of Dr Michael Lynch, Derwent Practice, Norton Road, Malton,

Declares that the Petitioner has a strong objection to the way in which North Yorkshire and York Primary Care Trust have implemented the closure of Ryedale ward at Malton Hospital, without public consultation.

The Petitioner therefore requests that the House of Commons urges the Government to take all possible steps to reinstate what is a highly valued and much needed facility at Malton Hospital for the population of Ryedale.

And the Petitioner remains, etc.

[P000868]

Summertime (Scotland)

Motion made, and Question proposed, That this House do now adjourn.—*(Jeremy Wright.)*

10.11 pm

Mr Tom Harris (Glasgow South) (Lab): Thank you, Mr Deputy Speaker, for providing me with the opportunity to raise an issue which, although not considered earth-shattering in its political significance, tends to provoke extremely lively debate on both sides. The question is whether it would be better for the UK as a whole to move away from Greenwich mean time and to adopt what is confusingly entitled single/double summertime. This would mean that instead of living in GMT, as we currently are and have been since the end of last month, we would have GMT+1 hour during the winter and GMT+2 hours in the summer.

We have this debate every year in this country, and the debate is particularly keenly followed in Scotland where, among certain commentators and politicians, there is always the temptation to indulge in the "poor us" victim mentality. This was effectively illustrated last week when John Scott, the Conservative Member of the Scottish Parliament, asked the Scottish National party Minister, Fiona Hyslop, about the campaign to move to single/double summertime, and said:

"Does she agree that Scottish children walking to school in darkness is not an acceptable price to pay for an extra hour of sunlight in Sussex?"—[*Scottish Parliament Official Report*, 11 November 2010; c. 30349.]

There are times when I feel like holding my head in my hands and weeping for my nation, when such nonsense passes for intelligent discourse. First of all, there is the small point that it is not possible to create, reduce or ration the amount of daylight available to any part of our globe. That is a matter for God Almighty and the immutable laws of the physical universe.

Secondly, there is a dangerous laziness in summoning forth the bogeyman of the Auld Enemy. It plays fast and loose with the Union—it should be noted that Mr Scott's party was once proud to describe itself as the Scottish Conservative and Unionist party, though admittedly that was many years ago now—in the hope of currying favour with a particularly aggrieved audience; and there is always an aggrieved audience for such messages, which is why it is so dangerous to indulge them by raising the spectre of a change which, it is alleged, would have a beneficial effect on England while disadvantaging Scotland.

I believe that claim to be nonsense. I also believe that there is much more support in Scotland for the change than has previously been the case. There have been various claims in support of a change to single/double summertime, some of which are harder to justify than others. The change would boost Scotland's tourism industry, we are told. It would help us to reduce our greenhouse emissions, we would be a fitter and healthier nation, our streets would be safer to walk on, trade between Britain and Europe would increase, the lamb would lie down with the lion and Trident would be beaten into ploughshares. Actually, I made those last two up, but I hope that the point is made. The advantages claimed for the change are many, and they are valid, but I do not blame some of the public for being unconvinced by some of them.

Thomas Docherty (Dunfermline and West Fife) (Lab): Does my hon. Friend appreciate that the fact that he has given up his blog means that hon. Members and the wider public will not have an opportunity to see his views being promoted on the internet, and will he perhaps reconsider giving up his blog so that he can take forward this important issue?

Mr Harris: I am almost grateful to my hon. Friend for raising that point and intruding into personal grief. Now that I am no longer a blogger, I may consider going into politics.

Mr Tobias Ellwood (Bournemouth East) (Con): On a more serious note, the hon. Gentleman brings up an important issue that will be debated in a private Member's Bill very shortly. May I commend what he is saying to the House? I did some studies on this in Scotland and found that the farmers who were once against this, on passionate and logical grounds, are now either neutral or in favour of it. They appreciate the extra hour in the evening, because many of them have diversified into the tourism market where bed and breakfast and so forth provide value. The other aspect is road deaths. A net decrease in road deaths would be a significant improvement were the clocks to be changed. I welcome the debate that has been brought to the House tonight.

Mr Harris: I am grateful to the hon. Gentleman for making those valid comments and trying to pre-empt the points that I hope to make in the next few minutes.

It is up to the Lighter Later campaign and its many supporters here in the Commons to make the case for all the benefits that will accrue from pushing the clocks forward an hour, and they can do that during the debate on the private Member's Bill promoted by the hon. Member for Castle Point (Rebecca Harris), who is in the Chamber. I will return to that issue shortly.

As a father of young children, I approach this subject from a particular direction. The other alleged benefits that I mentioned earlier notwithstanding, it is the effect on Scotland's road safety record, particularly as it affects children, that most concerns me. We already know that road accidents are more likely to occur in the evening peak hour than in the morning. One will often hear the protest that drivers are not fully alert first thing in the morning when they drive to work, and are more alert as they return. I do not believe this to be the case, and the evidence is indeed to the contrary.

The 1998 study by Transport Research estimated that a move away from GMT would lead to an overall reduction in road deaths and serious injuries of 0.7% in Scotland alone. Based on the figures for 2009, that would mean 20 fewer deaths and serious injuries on Scotland's roads, and 30 fewer casualties across all categories of severity.

John Scott MSP said that Scottish children should not have to go to school in darkness. Mr. Scott represents Ayr, and I grew up in that same county, and I know that by December children there will be doing precisely that anyway. Dawn can arrive after classes have begun.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): I thank my hon. Friend for giving way because he has been very generous with his time. I note the points that he makes in relation to John Scott MSP, whom I know well. He is a farmer in Ayrshire, so I was rather surprised that he did not agree with some of his farming colleagues. I am old enough to remember the last experiment in Scotland when I was a pupil. Will my hon. Friend say something to reassure those parents who have heard tales of children going to school in the dark with the high-visibility armbands securely attached to the duffle coats and torches to get them to the end of their streets?

Mr Harris: That is a valid point. It will have to be met head on by the supporters of the campaign, because there is no doubt that in the 1968 trial, although road deaths throughout the vast majority of Scotland reduced significantly, there was a small increase in the number of road deaths in the far north of Scotland. Of course that has to be taken seriously, and I will say as much later on, but let us remember that when it comes to generating publicity on a particular campaign, it is far easier for the media to publicise deaths and injuries on the road than to publicise deaths and injuries that were avoided.

We, as parents and—all of us, I think—as former children, know that when children head out to school in the morning on, say, a 10-minute journey, they allow almost exactly that amount of time for the journey. The return journey, however, is a different matter. It may sound counter-intuitive to suggest that children will be in a bigger hurry to reach school in the morning than to get back home again in the afternoon, but it makes perfect sense. Children adopt a more relaxed approach as they head home, perhaps taking diversions to friends' homes, popping into a shop or chatting with friends at the school gate.

We see exactly the same phenomenon in our working lives. I saw it as a Transport Minister and when I worked in transport planning before being elected to the House. The evening rush hour is being extended every year and becoming longer and longer, as flexible hours mean more people leaving the office later, more people perhaps heading to the pub or to the shops on the way home, and evening buses and trains carrying the same total number of commuters on their return journeys as they did in the morning rush hour, but over a significantly longer period.

However, too much time in this debate—too much attention—is focused on the journey to and from school. In any one year, children in Scotland spend as much time travelling between home and their friends' homes, and walking to and from various places of recreation, as they do travelling to and from school. Indeed, during the very darkest mornings in December and early January, children are on holiday from school and do not have to make those journeys at those early times, but they still make journeys later in the day, when the light is fading and they are far more at risk from passing cars.

Mr Ben Bradshaw (Exeter) (Lab): Will my hon. Friend consider the remarks of the former Prime Minister, our right hon. Friend the Member for Kirkcaldy and Cowdenbeath (Mr Brown), who, at a regional Cabinet meeting in my constituency earlier this year, told a representative of the tourism industry that he saw real benefits of £3.5 billion in the move that my hon. Friend advocates and thought that there were merits in the idea of a three-year trial? I hope that my hon. Friend will feel that those comments are helpful to his campaign in Scotland.

Mr Harris: My right hon. Friend will know that I set great store by the comments of our right hon. Friend the former Prime Minister. If my right hon. Friend the Member for Exeter (Mr Bradshaw) will forgive me, however, I must say that it is one of those claims that the public will have some difficulty accepting. Politicians throw such figures about all the time—£3.5 billion here, £10 billion there—but they do not have a great deal of meaning. Until we have a proper, scientific analysis of all the evidence, it will be quite fair for people to remain sceptical, but I shall come back to that issue, because the private Member's Bill deals with it.

Scotland's road traffic record is poorer than the records for England and Wales. Scots are 27% more likely to suffer serious injury as a result of a road accident than our compatriots south of the border. That is partly a simple consequence of lower car ownership—again, a counter-intuitive argument, as one might expect fewer cars to mean fewer road accidents. However, 20% more journeys are made on foot in Scotland than in England, meaning that Scottish pedestrians are more numerous, pro rata, and therefore more at risk.

I spoke rather blithely earlier of the other benefits that might—might—accrue to Scotland if the changes take place, and I wish to place on the record my sincere belief that those benefits would be real, if unquantifiable in advance. Of course, it would benefit Scottish industry if our trading hours were more in line with Europe's. Incidentally, those Scots and some English who say that Scotland should stick with GMT even if England chooses to move to single/double summertime should remember that Scotland's biggest trading partner is also our closest neighbour within the Union, and such a move would indeed be damaging to Scottish commerce.

There are arguments in favour of the premise that our tourism industry, our energy consumption, our community safety and our participation in healthy activities would all benefit from a move to single/double summertime.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): If the hon. Gentleman is a strong believer in putting the clocks forward an hour, surely he realises that those benefits would be magnified if we put the clocks forward two hours, three hours, four hours, five hours or whatever, but then we might see the nub of the problem and exactly what was being foisted on some people. Does he agree that in a spirit of conciliation, therefore, we need a shorter, symmetrical period either side of midwinter? Rather than changing the clocks seven weeks before midwinter and 14 weeks afterwards, as we do at the moment, why do we not have a five or six-week period either side of midwinter? We would then shorten wintertime by half and probably reach a consensus that would be welcomed throughout the UK.

Mr Harris: I am not sure what the Gaelic is for "coming at you out of left field", but that intervention rather fits the description. On the hon. Gentleman's first proposal about moving summertime more and more hours forward, if he wishes to bring a Bill to that effect to this House, I will be happy to express my opinion.

Inevitably, and rightly, there will be detractors—*[Interruption]*—as we can hear. Fair enough—there should be a public debate, but one based on facts, not on the exhumation of the English as evil bogeymen aiming to steal the sun from the Scottish sky.

Mr MacNeil: To return to the substantive point and away from the hon. Gentleman's hyperbole, does he support the shorter, more symmetrical period, or not?

Mr Harris: I will not belabour this particular point. I am speaking in favour of a move to single/double summertime. I hope that the hon. Gentleman understands the meaning of that.

Mr Ellwood: There is a serious point here. We have 53 days on one side of the winter solstice and about 100 days on the other side. It is not symmetrical, and therefore this proposal would make sense. I ask SNP Members to allow the Bill to go through to Committee stage so that such detail can be debated. It needs to be given more time so that the country can understand the detail instead of the Bill being kicked into touch by talking it out on a Friday, which happens so often. I hope that the SNP will listen, wake up to what the nation is calling for, and support this proposal so that we can have a debate and see it through to fruition.

Mr Harris: The problem with such debates, in most cases, is that various Members raise specific and detailed technical objections which prevent the progress of the Bill and which, nine times out of 10, are intended to do so. The Bill promoted by the hon. Member for Castle Point is before the House, and I hope that the House will make a decision in due course.

Contrary to some rather excitable critics—yes, I am looking at you, John Scott MSP—the Daylight Saving Bill would not implement any permanent change to single/double summertime. It would simply oblige the Government initially to conduct a cross-departmental analysis of the potential costs and benefits of advancing time by one hour for all or part of the year. Only at that point, and entirely dependent on the results of that analysis, would a three-year experiment of single/double summertime be triggered. Crucially, if the analysis were to conclude that the anticipated benefits were unlikely to be realised, the three-year pilot would not go ahead. Given the very sensible caution outlined in the Bill—I congratulate the hon. Lady on promoting it—it is very difficult to see how any serious objection to it could be maintained, even by those strongly opposed to the scrapping of GMT.

I may be wrong in my support for single/double summertime. The critics of the Lighter Later campaign may be wrong. Even—this is extremely far-fetched, I confess—John Scott MSP might be wrong. But until we properly analyse all the available data, we will never know. Instead, we will have the same old arguments, twice a year, every year, when the clock changes come around in October and March.

I have called for this debate because I think that it is right that the Scotland Office sets out its own policy position. It has considerable influence in the Government and could, I imagine, scupper the hon. Lady's Bill if it so chose. I intend to be present on 3 December when the Bill has its Second Reading. I hope that the Minister will also be present to support it so that we can draw a line under this debate once and for all.

10.28 pm

The Parliamentary Under-Secretary of State for Scotland (David Mundell): I commend the hon. Member for Glasgow South (Mr Harris) for Glasgow South on

securing tonight's Adjournment debate. Perhaps his much lamented retirement from blogging has left his nights, light or dark, free for more exciting and productive activities such as this debate. However, given the lateness of the hour, he can be confident that Scotland's nocturnal cyber-nats will be following our every word.

I respect the hon. Gentleman's views and his support for the introduction of what is generally known as double summertime, which would see the United Kingdom using central European time. He is right to say that not everybody in Scotland is against such a change, but he should acknowledge that most are against it, as the Secretary of State for Scotland has made clear to colleagues in the Government. It is for those supporting change to make and win their case across the UK, including in Scotland and Northern Ireland, and that has not happened.

Mr Harris: The Minister has just said that the majority of Scots do not support the measure. On what evidence does he base that assumption?

David Mundell: The Scotland Office has carried out consultation on the Bill, both formal and informal, which supports the view that the majority of Scots do not support the measure at this time.

Mr Harris: I am grateful to the Minister for giving way a second time, given how long I took over my comments. He said that a majority of Scots do not support the change, but he is now talking about consultation and qualitative research. If he is to maintain that a majority of Scots oppose the change, he has to come to the Dispatch Box with evidence of quantitative research by a polling organisation and the Scotland Office. Does he have that information?

David Mundell: Quite the contrary. The hon. Gentleman and those who support the campaign have to win the argument with the public in Scotland, with the body politic and with civic society.

Mr Don Foster (Bath) (LD): Just to clear up the issue, will the Minister agree to place in the Library all the information to which he has referred, which enabled him to make the claims that he has just made?

David Mundell: As the hon. Gentleman will understand, it is not possible to set out that information in the way that he seeks. What is possible is for those who support the change, such as the hon. Member for Glasgow South, to make their case and win the argument with the people of Scotland. He was very careful not to say that he was speaking on behalf of people in Scotland, because he knows that there is not majority support for the change in Scotland at this time. Rather than argue about polling evidence, which all of us in the body of Scottish politics know is amazingly unreliable, he should concentrate on winning the argument in Scotland if it is what he truly believes.

Malcolm Bruce (Gordon) (LD): I appreciate that the debate is about how Scotland feels, but does the Minister accept that there is a spurious argument that the only objections to the policy are from Scotland? In reality, they will come from all over the UK. I have just checked, and found out that if we had the policy in place, sunrise tomorrow in London would be at 8.24 am, and on Christmas eve it would be at 8.50 am. May I suggest that even Londoners would find that objectionable?

David Mundell: I agree with the right hon. Gentleman. Indeed, the objections are not just from Scotland.

My right hon. Friend the Prime Minister has set out clearly the position of the Government as a whole, including the Scotland Office: no change can be made without the consensus of the whole United Kingdom, including Northern Ireland as well as Scotland. There can be no specific policy in relation to Scotland, because consensus across the UK is the key factor. Let me make it clear that, as the hon. Member for Glasgow South alluded to, the Government are unequivocally opposed to any differentiated time zone for Scotland.

Mr Bradshaw: Why has the Prime Minister—like the leader of the Liberal Democrats, I am afraid—changed his position on that issue since the general election? He said quite clearly before the election, including to tourism representatives in the south-west, that he favoured the change. Indeed, the hon. Member for Bournemouth East (Mr Ellwood), then the shadow Tourism Minister, explicitly said that he favoured the move. Is this just another broken promise by the coalition?

David Mundell: I certainly accept that the former shadow Tourism Minister is a powerful advocate of the case, but what the Prime Minister said then, and what he says now, is that we welcome an informed debate in all parts of the UK. As my right hon. Friend the Chancellor might say, on this issue we are all in it together or not at all.

Mr Ellwood: I am aware that my hon. Friend has been following this issue carefully, but I would ask that his Department show some leadership and a little bit more interest, rather than just saying, "Oh, it's for the others to make the case." There is definite interest in the matter, because Scotland and the entire country can benefit. It is time that the Scotland Office considered the matter in detail and carried out an overt study, rather than one that they are not willing to publish, and then supported a three-year experiment. There would be a massive benefit to Britain, including Scotland, and I hope that the Department will embrace that rather than have a laissez-faire attitude.

David Mundell: I do not accept that it is a laissez-faire attitude to reflect opinion in Scotland within Government. We should welcome the debate and challenge those people who feel strongly about the matter to go out and win that debate in Scotland. It is quite clear that they have not yet done so. I agree that this has to be a factual debate and that it does not have to be an emotional one. Even if we move to double summertime, it will not mean that the United Kingdom has any more daylight hours.

Rebecca Harris (Castle Point) (Con): Is the Minister aware that the last three opinion polls conducted in Scotland show that a majority of the Scottish public are in favour? I can give him that evidence tomorrow morning.

David Mundell: I have that evidence, but as my hon. Friend will know, the answer is determined by the question, and many people will say "yes" when they are

[David Mundell]

asked whether they like lighter evenings, but they do not necessarily take on board the full consequences of all the issues in the survey. Although I accept and acknowledge that opinion may be changing in Scotland, I do not believe that the majority of people in Scotland support this change.

Mr Angus Brendan MacNeil: Might it not be an idea for those parliamentarians who are passionate advocates of change to resign and force a by-election on this very issue and test the opinion themselves?

David Mundell: That is another interesting suggestion. I was going to agree with the hon. Gentleman's point about the change in wintertime and the fact that the change in October is so much closer to the shortest day than the change in the spring, and that is a live issue that people mentioned to me when I was in the Western Isles 10 days ago. We must also recognise that for people living in the Western Isles and the most northerly parts of Scotland, such a change would have a significant impact on their lives in winter when daylight would not come before 10 am, and that cannot be just glibly set aside.

Mr Foster: Given that the Minister is very keen for there to be more accurate data on this information and on having an informed debate, will he make it clear that he and his Department will support the Bill's getting a Second Reading, so that that further research and informed debate can take place?

David Mundell: That will be a matter for the Department for Business, Innovation and Skills during the course of the debate, which is to be held on 3 December. I hope that all those Members with an active interest in this matter will ensure that the debate explores all the issues that cannot be explored in the short time that we have available this evening, and that those people who promote the view will continue to gather the evidence that they believe will support their conviction that the benefits of lighter evenings would outweigh the costs of darker mornings. Judging by his contribution, that is the sort of informed debate that the hon. Member for Glasgow South wants to move to, and we would welcome that in this Parliament and in the Scottish Parliament.

Secondly, a consensus within Scotland will need to be built, to convince the body politic, Civic Scotland and the Scottish public to support them. The hon. Member for Kilmarnock and Loudoun (Cathy Jamieson) might tell me to the contrary, but I was unaware that the Scottish Labour party in the Scottish Parliament supported such a measure and had promoted it by speaking actively in its favour. I might have been wrong in that regard.

The hon. Member for Glasgow South highlighted the important issue of road safety and made some telling points. Thankfully, the UK already has one of the best road safety records in Europe, but the UK and Scottish Governments recognise that we can always do more. The introduction of central European time is not a panacea in that regard. Road safety experts acknowledge that other initiatives could have a greater impact. Indeed, even proponents of change acknowledge that the change may result in more road injuries in Scotland during the morning peak.

Mr Ellwood: I have a lot of respect for my hon. Friend personally and professionally, but I question some of his facts, because according to the statistics that I have seen, road deaths fell in Scotland during the 1968 to 1971 experiment. The statistics and analysis suggest that if the experiment were repeated, road deaths would fall again. I do not know where he gets his data from, but he needs to share them with us if we are to have a full and frank debate.

David Mundell: I recognise the passion with which my hon. Friend speaks, but his contributions have not necessarily been made from an objective viewpoint in relation to Scotland. The Government want and welcome an informed debate. As has been clearly stated, hon. Members will have the chance to debate this issue on 3 December on Second Reading of the Daylight Saving Bill, which is a private Member's Bill sponsored by my hon. Friend the Member for Castle Point (Rebecca Harris). They need no encouragement from me to take that opportunity.

10.41 pm

House adjourned without Question put (Standing Order No. 9(7)).

House of Commons

Wednesday 17 November 2010

The House met at half-past Eleven o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

INTERNATIONAL DEVELOPMENT

The Secretary of State was asked—

Yemen

1. **Caroline Nokes** (Romsey and Southampton North) (Con): What recent assessment he has made of the developmental situation in Yemen; and if he will make a statement. [24336]

2. **Graham Evans** (Weaver Vale) (Con): What recent assessment he has made of the developmental situation in Yemen; and if he will make a statement. [24337]

6. **Mr Mark Spencer** (Sherwood) (Con): What recent assessment he has made of the developmental situation in Yemen; and if he will make a statement. [24341]

The Minister of State, Department for International Development (Mr Alan Duncan): Yemen is of the highest priority to the coalition Government. Subject to the Department for International Development's bilateral aid review and the security situation in Yemen, DFID is inclined to increase its commitment to that country. We believe strongly in the power of development to give solid foundations to a country that faces threats to its stability and economy.

The UK is playing a leading role in the Friends of Yemen process, in which our partnership with Gulf states is an essential element. My right hon. Friend the Secretary of State recently visited Saudi Arabia and Kuwait to exchange views on Yemen and to build our common approach. That will help to ensure that the commitments made in New York in September are delivered in time for the next Friends of Yemen meeting in Riyadh in February.

Caroline Nokes: Given the difficult security situation in Yemen, will the Minister outline UK priorities in that country?

Mr Duncan: DFID's programme is part of the UK strategy to address instability and conflict in Yemen and to develop the economy. We engage with the Government and other donors to create the political will needed for action on reforms. Our work helps to make people's lives better by delivering basic services such as health, education and justice to the poorest communities, and to provide jobs and short-term employment through cash-for-work schemes. We also provide life-saving humanitarian support for the 300,000 displaced people in Yemen.

Graham Evans: At the last International Development questions, I raised the importance of Yemen in the war on terror, which the subsequent ink cartridge plot underlined. The Gulf states are obviously key to addressing Yemen's challenges. What are the Government doing to engage with those states?

Mr Duncan: The security situation is obviously of the utmost importance. The most important Gulf partner is the Kingdom of Saudi Arabia, which co-chairs the Friends of Yemen process, but more than $3 billion-worth of pledged financial support has remained unused since 2006. We are therefore pressing for better donor co-ordination, in which the Gulf states are obviously crucial partners.

Mr Spencer: I welcomed the Minister's speech at Chatham House—he set out the challenges facing Yemen and spoke of putting development and diplomacy at the heart of our response. Will he inform the House what progress has been made to implement reform through the Friends of Yemen process?

Mr Duncan: In my speech at Chatham House, I outlined the importance of development in Yemen. The Government want to underpin that country now rather than have to step in later should things get worse. Through the Friends of Yemen process, we are helping the Government of Yemen with the implementation of an International Monetary Fund financial reform programme. I stress very strongly that we are not telling Yemen what to do; we are working as a partner to support it in facing its challenges.

Keith Vaz (Leicester East) (Lab): Mr Speaker, you very recently met the Speaker of the Yemeni Parliament, and President Obama and the Prime Minister spoke about Yemen last week at the G20. Processes are very welcome, as is Britain's leadership role in this whole endeavour, but we need positive action. Will the Minister ask the Foreign Secretary to issue an invitation to the Yemeni Foreign Minister and other Yemeni Ministers, so that they can come to London as a matter of urgency—before Christmas—and we can implement the very good words that the Minister has just spoken?

Mr Duncan: I am grateful to the right hon. Gentleman for his suggestion—he has a strong interest in, and knowledge of, Yemen. His suggestion is constructive. There will be a further Friends of Yemen meeting in Riyadh. If we are to get anything out of that meeting, we have got to get cracking now, which means that constant purposeful engagement with our Yemeni counterparts is essential. I will certainly ask the Foreign Secretary to take up his suggestion.

Ms Harriet Harman (Camberwell and Peckham) (Lab): It is obviously important for us to do all we can to help to tackle poverty and instability in Yemen, but where there is instability, it is even more difficult to get aid to

people who need it. The expertise of DFID officials in that regard is widely respected around the world. Will the Minister assure us that as the work of his Department is reviewed, nothing is done to undermine its ability to play its part in ensuring that aid in conflict zones really gets to those who need it?

Mr Duncan: May I say what a pleasure it is to be up against the right hon. and learned Lady once again, after a little gap? What she says is absolutely right. We are, as I said, inclined to increase our support for, and spend in, Yemen, but obviously the security situation will determine whether we can put enough boots on the ground to deliver the aid and assistance that we wish to deliver. Crucially, however, we are looking on our work there as a pioneering exercise in trying to address the challenges of a fragile state before its condition gets worse.

British Charities (Funding)

3. **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): What funding his Department provides to British charities with international developmental goals operating overseas. [24338]

The Secretary of State for International Development (Mr Andrew Mitchell): In 2009-10, the Department for International Development provided £362 million to UK charities and civil society organisations to assist in poverty reduction overseas. The global poverty action fund, which will increasingly shape partnership with charities and non-governmental organisations, was launched on 27 October.

Dr Poulter: I am sure that the Secretary of State would agree that we need to get funding to the right place. On improving women's health overseas, does he agree that the focus should be on making interventions in the right place, which is during delivery and childbirth, which account for over 50% of deaths among women? That is where we should be focusing our resources when we fund overseas aid.

Mr Mitchell: My hon. Friend is absolutely right. Reproductive, maternal and newborn health care is the subject of a business plan discussion that is under way. With his expertise, I very much hope that he will contribute to our thinking on that. The plan will be published in January. As he said, we need to focus on the continuum of care, up to birth and beyond. We are quite clear about the importance of the issue, but he will know that placing women's choice over whether and when they have children is at the heart of all the overseas programmes that we run.

Rushanara Ali (Bethnal Green and Bow) (Lab): Let me declare an interest in that I recently went to Bangladesh as a guest of Oxfam. I am sure that I join the whole House in paying tribute to the excellent work of British development non-governmental organisations around the world. In Bangladesh, I saw Oxfam's work in raising awareness of the impact of climate change on some of the world's poorest. Although the Government's commitment to continue the work on development and climate change is welcome, the commitment of the international community still falls short. Ahead of Cancun, what steps will the Government take to push for a greater commitment on climate finance from other countries?

Mr Mitchell: I thank the hon. Lady for what she said about the quality of the programme and those who staff it in Bangladesh. I am glad that she was able to visit our programme last week. She has seen a country where climate change affects the everyday lives of millions of people, and she is quite right to underline the Government's commitment to ensuring new and additional mechanisms for raising international finance to tackle climate change. I will be making a speech on the subject tomorrow, and the Government will be pressing hard in the run-up to Cancun and beyond to see that we make significant progress in this area.

Mr Gary Streeter (South West Devon) (Con): British development NGOs are world class and do a fantastic job, but has my right hon. Friend noticed that they all have their own advocacy departments and produce their own glossy publications? Would it not be better if they co-ordinated themselves slightly more, so as to cut out unnecessary duplication and competition?

Mr Mitchell: My hon. Friend raises an important point. He will have noticed that the global poverty action fund that we launched is principally a matched fund, in order to enable the taxpayer to piggyback on the brilliant development outcomes that many of our NGOs produce. That is the right principle, whereby taxpayer support can focus on results, outputs and outcomes, and not on inputs.

HIV (Maternal Transmission)

4. **Bill Esterson** (Sefton Central) (Lab): What steps he is taking to eliminate mother-to-child transmission of HIV in developing countries by 2015. [24339]

11. **Katy Clark** (North Ayrshire and Arran) (Lab): What steps his Department is taking to support the UNAIDS goal to eliminate mother-to-child transmission of HIV by 2015. [24346]

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): The Government are committed to a comprehensive approach to eliminating paediatric AIDS by focusing on where we have a comparative advantage—that is, on primary prevention of HIV among women of child-bearing age and on prevention of unintended pregnancies among women living with HIV through our investments in family planning.

Bill Esterson: Does the Minister agree that it is important that children who have already contracted HIV should be able to access medicines to stay alive? If so, will he join me in calling on pharmaceutical companies to make their patents available to the patent pool, so that there can be affordable HIV drugs for children?

Mr O'Brien: I am grateful for the hon. Gentleman's question. The Government definitely support the UNITAID patent pool, which is, as he knows, a mechanism to facilitate the development of new, particularly fixed-dose combination drugs, partly to ward off the danger of

monotherapies. That can be a key means of addressing the treatment challenge. We welcome UNITAID's decision to create a separate foundation to manage the pool's activities, and we recognise that that is an important step. We now need the milestones to be put in place as rapidly as possible, so that we can convert it to a working programme going forward.

Katy Clark: We believe that about 1.4 million pregnant women globally are infected with HIV, and about 1,000 babies are infected every day. We also believe that worldwide funding for HIV treatment is on the decline. Will the Government commit to making a strong contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria, and also to prioritising not just keeping those pregnant women alive, but taking steps to prevent those babies from being infected?

Mr O'Brien: I am grateful to the hon. Lady for her question. I know from the number of her questions that I have answered that she takes a keen interest in these issues. The UK has been a good supporter of the global fund to date, and its replenishment is subject to current negotiations and the multilateral aid review.

On the hon. Lady's particular concern, the reproductive, maternal and newborn health business plan is the coalition Government's key mechanism to prioritise the health of women and babies. It will support service delivery across the continuum of care needed to improve the health of women and girls, and will scale up the prevention of mother-to-child transmission—PMTCT—of HIV. That will address the underlying causes of the AIDS epidemic, gender inequality, gender-based violence and poverty. We will certainly—

Mr Speaker: Order. I am grateful, but the Minister must cut it short. Work needs to be done on these things. The answers are often far too long.

Andrew George (St Ives) (LD): As the Minister said, the current Government strongly support, as did the previous Government, the Global Fund to Fight AIDS, Tuberculosis and Malaria. What is the Minister's assessment of the success of the country co-ordinating mechanisms, and particularly the efforts to ensure that co-infection of HIV and TB is well managed on a country basis?

Mr O'Brien: The hon. Gentleman makes an informed point. One way of ensuring that the global fund, which scores well on its effectiveness, gets even better is to ensure that when there are conflicts in the country co-ordinating mechanisms, they are addressed. The co-infection of HIV and TB is an increasingly well understood area of research and practice, and that understanding is shaping the programmes through the multilateral aid review, and will therefore inform those programmes going forward.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Will my hon. Friend tell the House what his Department is doing to support the Glion call to action, whereby consensus has been reached on the importance of family planning in preventing the spread of HIV, particularly maternal transmission from mother to child?

Mr O'Brien: My hon. Friend makes the vital point that family planning is at the heart of ensuring that we prevent the transmission of these diseases. I assure him that we are putting women's and children's health at the core of our international development agenda, and will contribute to saving the lives of at least 50,000 women and 250,000 babies, and to providing 10 million more couples with access to family planning.

Access to Basic Sanitation

5. **Fiona Bruce** (Congleton) (Con): What steps his Department is taking to reduce the number of people in developing countries without access to basic sanitation. [24340]

The Secretary of State for International Development (Mr Andrew Mitchell): Reducing the number of people in developing countries without access to basic sanitation is a key priority of the coalition Government. The review of our aid programme will determine how we scale up our efforts and results in this area.

Fiona Bruce: I thank the Secretary of State for his reply. As Friday is world toilet day, what is his Department doing to raise the international agenda's priority to improve sanitation, particularly as 1.5 million children under five die every year from poor water hygiene and sanitation, which is more than die from malaria, AIDS and measles combined?

Mr Mitchell: My hon. Friend is right to raise this issue in those terms. Diarrhoea is the biggest killer of children in Africa. This is a core subject for the coalition Government, and we are looking at it in our bilateral aid review. Although I do not wish to pre-empt that review, I can tell the House that I am confident that we will be able to ensure that, over the next four years, tens of millions of people will be able to gain access to clean water and sanitation who are currently unable to do so.

Barry Gardiner (Brent North) (Lab): I congratulate the Secretary of State on his remarks at the millennium development goals summit earlier this year, in which he emphasised the importance of sanitation, but will he explain to the House why, when the United Nations passed an historic resolution on 30 September affirming that access to water and sanitation were human rights and that Governments had a legal responsibility to deliver that access, the United Kingdom voted against it?

Mr Mitchell: The hon. Gentleman needs to look carefully at the words that I used at the summit, about which he has just made his nice remarks. The fact is that 2.5 million deaths are caused by a lack of sanitation and 39% of people in our world do not have any access to a basic hygienic latrine. That is why we are focusing not on rhetoric but on results in trying to achieve specific outcomes in this very important area.

Malcolm Bruce (Gordon) (LD): In the last Parliament, the Department for International Development acknowledged that it had refocused its priority on sanitation in the wake of the report by the International Development Committee. Given that, according to figures from the "Water, Sanitation and Health 2008" report, 79% of rural homes in India have no access to sanitation, what will the Secretary of State do within the programme for India to ensure that sanitation is a key priority?

Mr Mitchell: The Chairman of the Select Committee is absolutely right to say that my predecessor admitted that the Government had taken their eye off the ball on this important matter. We are looking carefully at the Indian programme as part of the bilateral aid review and, as part of our examination of the programme, we will be looking specifically at our support for sanitation.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): The sanitation situation in Haiti remains critical after the earthquake in January this year. Following that earthquake, many of our constituents sent donations to support relief efforts there, and they are now very concerned about the outbreak of cholera, which is having a devastating impact. Will the Secretary of State update the House on the delivery of aid in Haiti, and on how the help is getting through to those who need it most?

Mr Mitchell: The hon. Gentleman raises an extremely important subject. Britain has helped to bring clean water—the specific point that he raised, I think—to 380,000 people in Haiti. I sent a senior humanitarian expert last week to look at the situation on the ground, and to help specifically with co-ordination there. We are working with other United Nations agencies to ensure that this is prioritised and we are of course considering the recent appeal that the UN put out in that respect.

Global Fund Projects

7. **Grahame M. Morris** (Easington) (Lab): What recent assessment he has made of the outcomes of projects under the Global Fund to Fight AIDS, Tuberculosis and Malaria. [24342]

The Secretary of State for International Development (Mr Andrew Mitchell): The global fund is assessed annually against key performance indicators. The programmes of the global fund have saved 5.7 million lives since 2000. The review of all our multilateral spending, including on the global fund, is designed to ensure maximum impact and value for money.

Grahame M. Morris: Does the Minister recognise that other countries look to the United Kingdom for leadership on HIV strategy? If so, does he agree that a strong UK contribution to the global fund will encourage other countries that have not yet made their financial contributions to step up to the plate? *[Interruption.]*

Mr Speaker: Order. There are far too many private conversations taking place in the Chamber. That is very unfair to the hon. Gentleman and the Secretary of State and unimpressive to those following our proceedings. The Secretary of State is champing at the bit; let us hear him.

Mr Mitchell: The hon. Gentleman is right to underline the importance and success of what the global fund has achieved. This includes circulating 2.8 million people with antiretrovirals, diagnosing and treating 7 million people with tuberculosis and distributing more than 122 million bed nets to help to prevent malaria. We have sent a clear signal to the global fund of strong support in this replenishment round. The precise level of that support will be dictated by the multilateral aid review.

Asbestos Products

8. **Jim Sheridan** (Paisley and Renfrewshire North) (Lab): What steps his Department is taking to ensure that funds allocated for development programmes by his Department are not used to purchase imported asbestos products. [24343]

The Minister of State, Department for International Development (Mr Alan Duncan): Asbestos is banned in 52 countries, including in the EU and the UK. We are totally opposed to its use anywhere, and would deplore its supply to developing countries. We are not aware that DFID funds have been spent on asbestos products, and we would take urgent action, should we be so advised.

Jim Sheridan: I thank the Minister for that response, but can he assure the House that UK assistance to improve health standards in developing countries is not compromised by asbestos mining in Quebec? He may be aware of the multimillion dollar guarantee for development in Quebec, which might mean millions of tonnes of asbestos being dumped on unsuspecting populations in the years to come, with more than 4,000 people killed a year.

Mr Duncan: I note that the hon. Gentleman has campaigned tirelessly on asbestos and pleural plaques, and I studied his debate on the subject in Westminster Hall last year. I understand that Canadian exportation of asbestos is a cause for concern, and I will pass the issue he raises to my colleagues in the Foreign Office and the Department for Business, Innovation and Skills. From my Department's point of view, we will take all necessary steps to ensure that we do not use dangerous asbestos products anywhere in the world.

Global Plan to Stop TB

9. **Mr Virendra Sharma** (Ealing, Southall) (Lab): What assessment he has made of the likely effects on the incidence of tuberculosis in developing countries of the revised global plan to stop TB. [24344]

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): I know the hon. Gentleman takes a close interest in the terrible suffering caused by tuberculosis around the world. I am happy to confirm that the Government welcome the Stop TB Partnership's revised global plan, which sets out a clear road map to achieve ambitious targets, including to halve TB deaths by 2015. This will require making progress on the underlying causes.

Mr Sharma: I thank the Minister for his response. As I am sure he knows, TB needlessly kills 1.7 million people a year, yet no new treatments or vaccines have been developed for 30 years. What are the Government doing to ensure that the UK plays its part in eradicating this disease by funding TB control measures and supporting the development of new drugs, diagnostics and vaccines?

Mr O'Brien: The UK is committed to reducing unnecessary deaths and suffering from TB. My Department is currently reviewing its aid programme to determine how to achieve better value for money for the taxpayer

and accelerate progress towards achieving all the millennium development goals. We will certainly review the forward approach to TB, including research, once we have the findings from the bilateral and multilateral aid reviews. As of 2009-10, we estimate that about £55 million was spent on direct programmes, and health system strengthening also needs to be taken into account.

Jim Shannon (Strangford) (DUP): Somalia is one of the countries with the highest incidence of TB. Will the Minister say how practical it is to reduce the incidence of TB across the world, particularly in countries where law and order has broken down?

Mr O'Brien: The hon. Gentleman is quite right to identify the fact that TB ravages countries, not least in conflict states. As we design programmes that will have an effect in conflict states, it is vital that TB is right there among the very top of interventions. As we go through our bilateral aid review and focus on hard-to-reach people in conflict states such as Somalia, we must ensure that TB is one of the pre-eminent issues to be tackled. *[Interruption.]*

Mr Speaker: Order. There is far too much noise, which is indisciplined and discourteous. I, for one, want to hear Mr David Ruffley.

G20 Summit (Seoul)

10. **Mr David Ruffley** (Bury St Edmunds) (Con): What the development outcomes were of the G20 summit in Seoul; and if he will make a statement. [24345]

The Secretary of State for International Development (Mr Andrew Mitchell): G20 leaders endorsed the Seoul development consensus on shared growth and agreed to a multi-year plan to tackle the obstacles to growth in poor countries. As part of this plan, leaders also agreed to take measures to increase trade within Africa.

Mr Ruffley: At the summit, the Government rightly stressed the need for a free trade area for Africa. At present, only 10% of trade in Africa is between African countries. Does the Secretary of State agree that knocking down the trade walls between African countries will deliver economic benefits far outstripping the amount of aid that developed countries can give?

Mr Mitchell: My hon. Friend is absolutely right to make the point about the importance of having a pan-African free trade area—one of the four specific areas championed by the Prime Minister at the G20 summit in Seoul. Knocking down those trade walls, having one-stop border posts and promoting trade within Africa is the key area in helping people to lift themselves out of poverty throughout Africa.

Hugh Bayley (York Central) (Lab): What meetings did the Prime Minister have with other G8 leaders in Seoul to persuade them to reinstate the commitments to increase aid which they made at Gleneagles?

Mr Mitchell: My right hon. Friend raised the matter not only in private but specifically at the table. He pointed out that it was hard to expect leaders in the developing world to stand by their commitments to their people if leaders in the G8 and others did not stand by the commitments that they had solemnly made at Gleneagles and beyond on the importance of increasing our support for the poorest in the world.

UN Relief and Works Agency

12. **Joseph Johnson** (Orpington) (Con): What recent assessment he has made of the value for money of his Department's aid delivered through the UN Relief and Works Agency. [24347]

The Minister of State, Department for International Development (Mr Alan Duncan): UNRWA is performing well against agreed performance indicators and delivering value for money with United Kingdom funding. For instance, it is delivering teaching to nearly half a million children, and social services to more than a quarter of a million. During my recent visit to the Palestinian territories, I announced an extra £8 million to reward UNRWA's good performance and ease its budget shortfall.

Joseph Johnson: During a recent visit to Gaza, it was obvious that UNRWA was struggling to obtain the construction materials that it needs to rebuild schools and find housing for refugees. Does the Minister agree that DFID would derive greater value for money if the partial blockade were completely lifted?

Mr Duncan: I entirely agree with my hon. Friend. I am glad that he was able to see the situation in Gaza for himself.

Although some progress has been made since Israel eased access restrictions, UNRWA is still unable to import the volume of reconstruction materials that it needs. Any restricted access enhances the tunnel economy and risks putting revenue straight into the hands of Hamas, which in itself is entirely counter-productive.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [24321] **Mark Lancaster** (Milton Keynes North) (Con): If he will list his official engagements for Wednesday 17 November.

The Prime Minister (Mr David Cameron): I am sure that the whole House will wish to join me in paying tribute to Ranger Aaron McCormick of 1st Battalion The Royal Irish Regiment, who died on Remembrance Sunday. His commanding officer has described him as

"the epitome of the Irish Infantry soldier: tough; selfless; good-humoured and full of compassion."

He showed astonishing bravery, leading the way in clearing improvised explosive devices for the safety of local civilians and his fellow soldiers. We send our sincere condolences to his family, friends and colleagues.

I am sure that the whole House will also wish to join me in sending our warmest congratulations and best wishes to Prince William and Kate Middleton on their

engagement. I am sure that everyone agrees that it is wonderful news. We look forward to the wedding itself with excitement and anticipation.

This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further such meetings later today.

Mark Lancaster: I associate myself with the Prime Minister's comments.

Possibly the best piece of news to emerge from the unemployment figures this morning is the rise in the employment count, but small businesses in Milton Keynes are still concerned about both the cost and the bureaucracy of taking on extra workers. What can the Government do to help them?

The Prime Minister: My hon. Friend has made an extremely good point. We must do more to make it easier for small businesses to take people on. However, this morning's figures are good news. The claimant count is down by 3,700 on the month, unemployment as defined by the International Labour Organisation is down by 9,000 on the quarter, and crucially, as my hon. Friend has said, employment is up by 167,000 on the quarter.

We are helping small businesses by cutting the small business rate of corporation tax, we have the "one in, one out" rule so that new regulations will be limited, and we have a new enterprise capital fund to provide additional equity finance. We need to do all those things, but I think we also need to do more to help small businesses to take people off the unemployment register and put them back into work.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I join the Prime Minister in paying tribute to ranger Aaron McCormick of 1st Battalion The Royal Irish Regiment, who died on Sunday. His brave service in our armed forces will be remembered, and we send our deepest condolences to his family.

I also join the Prime Minister in sending our warmest congratulations to Prince William and Kate Middleton on their engagement.

Will the Prime Minister tell the House how many fewer police officers there will be as a result of his 20% real-terms cut in the police budget?

The Prime Minister: It will be up to individual police forces—[Hon. Members: "Ah."] This is very important. It will be up to individual police forces to try to ensure that they maximise resources in the front line. What we said in the spending review was that it was possible to retain the high level of visibility and activity of police on our streets. That is the challenge to every police force in the country, and I think that when we look across police forces and see how many officers there are in human resources and information technology and performing back-office functions, it is clear that we can succeed.

Ms Harman: Her Majesty's inspectorate of constabulary says that while there are, of course, efficiencies, cuts of beyond 12% will inevitably result in cuts in the number of front-line police officers, yet the Prime Minister is asking not for 12%, but for 20% cuts. As usual, he has ducked the question, and he will not admit how many front-line police he is cutting. He used to be very clear about protecting front-line services. This is what he said on 2 May:

"any cabinet minister if I win the election...who comes to me and says, 'Here are my plans' and they involve frontline reductions, they'll be sent straight back to their department to go away and think again."

So what did he say to the Home Secretary?

The Prime Minister: This question has been asked of the right hon. and learned Lady's own former Home Secretary—now the shadow Chancellor—and this is what he said. [Hon. Members: "Answer."] He was asked—*[Interruption.]*

Mr Speaker: Order. The Prime Minister's answers will be heard. *[Interruption.]* Order. What Opposition Members make of them is up to them, but they will hear them.

The Prime Minister: Thank you, Mr Speaker. Andrew Neil asked the shadow Chancellor a very simple question:

"Can you guarantee if you form the next Government that police numbers won't fall?

Alan Johnson: No."

That is what Labour said. It can engage—*[Interruption.]* If the right hon. and learned Lady wants to, why do we not engage in a proper debate about how we try to make sure we maximise resources on the front line? That is what we are asking the police force to do, and that is what the Opposition should be involved in, instead of this cheap game.

Ms Harman: We were absolutely clear in our manifesto, and the former Home Secretary was absolutely clear, that we would guarantee central Government funding to protect front-line services. No wonder the Prime Minister's Back Benchers are so silent: he is planning to cut their police forces by 20%. *[Interruption.]* Their constituents will be astonished to see them cheering 20% cuts in the police budget.

The Prime Minister will be aware of the report of the chief constable of Greater Manchester setting out how front-line police numbers will have to be cut. What does the Prime Minister say to the people of Greater Manchester, who will be deeply worried about the cut in police numbers?

The Prime Minister: First, let me answer the point the right hon. and learned Lady made about what Labour said after the election. The shadow Chancellor was asked about—*[Interruption.]* Well, the right hon. and learned Lady raised the point about what was said after the election, and the Shadow Chancellor said:

"If Labour had won the general election, the Home Office budget would have been cut and the police would have had to make savings."

That is what it said.

The right hon. and learned Lady asks about Greater Manchester, so let me answer specifically about Greater Manchester. First, the chief constable of Greater Manchester has said that his plans are putting "the maximum resources" on front-line policing, and I am not surprised he is able to say that, because here are the figures for the employment levels in the back-office functions: human resources, 187 people for that force;

fleet vehicle maintenance, 106 people; finance, 106; IT—*[Interruption.]* Well, Opposition Members want to know the facts about Greater Manchester police, and these are the facts about Greater Manchester police. Guess how many people are involved in IT in Greater Manchester police: 225. This is the debate we ought to be having: how do we get resources from the back office on to the front line? How do we do it when right now only 11% of police officers are on the streets at any one time? That is the mess we have inherited; that is the mess we are going to clear up.

Ms Harman: But the chief constable's report is clear. As well as cutting important back-office staff, front-line police will have to be cut; that is what the report says. The Prime Minister says—he always says this—that all this is unavoidable because of deficit reduction. In that case, can he explain why he is spending what the Association of Police Authorities says is £100 million creating new elected police commissioners at the same time as cutting police numbers?

The Prime Minister: The police commissioners will replace the police authorities—that is the point. The key issue, which the right hon. and learned Lady has now addressed, is that we are doing this because we inherited the biggest budget deficit in the G20. It is no good Labour talking about cuts, because it was planning 20% cuts. We are just having to introduce measures to deal with the mess that Labour made, but instead of just top-down cuts, we want to work with these organisations and say, "How do we help you to maximise the impact on the front line?" That is why we are scrapping the stop form—Labour introduced that—and that will save 450,000 hours of police time. We are going to limit stop-and-search reporting, and that will save another 350,000 hours of police time. This is the nonsense, the bureaucracy and the form-filling that Labour put in place. We are freeing the police officers to get out to do the job that people want them to do.

Ms Harman: By the way, it is an extra £100 million and the Prime Minister is spending it on elected police commissioners when that extra £100 million is the equivalent of hundreds of police officers. Police numbers do matter in tackling crime—of course they do. Will he drop his proposal for elected police commissioners and give the police the resources they need to protect front-line policing?

The Prime Minister: The straight answer to that is no, I will not, and I will tell you why. It is about time we had more accountable police forces in our country. I want there to be police commissioners so that when they do a good job calling the police to account and they are fighting crime in the way that local people want, they get re-elected. If they do a bad job, they will get thrown out. We all think that democracy is a great thing in here; what about a bit of democracy in policing as well?

Ms Harman: What local people want is to see their local police on their local streets. There he is posing as the guardian of probity in public finances. It cannot be denied that he knows a thing or two about posing. Why, at the same time as he is cutting police numbers, did he choose to use public money on not only a vanity photographer, but on putting staff from Tory headquarters on to the public payroll, with taxpayers footing the bill. Why did he do that?

The Prime Minister: Even the jokes are lame this week.

Let me tell you a few people we will not be employing. We will not have special advisers ordering around civil servants like Labour did. We will not be employing Damian McBride to smear the wives and families of politicians. We will not be employing Alastair Campbell to sex up dossiers to make the case for war. I have got a list—[HON. MEMBERS: "More, more."] Do you want some more? There is plenty more. I have got a whole list of people here who were employed by the last Government. Here is one, Ruth Mackenzie. She was a Labour party employee. She then became an expert adviser in the Department. What was her qualification? Well, according to *The Guardian*, "She speaks new Labour". Well, there we are, that is a great qualification. There is another one here—

Mr Speaker: Order. I think I got the gist of it. We do not need to hear any more. Let me just say to the House, and that includes every Member of the House, that it is now time that we got back to questions and answers about the policies of the Government. That is what the public expect and that is what the public are entitled to get.

Q2. [24322] **Mr Brian Binley** (Northampton South) (Con): More than 41% of all loans drawn from the enterprise finance guarantee scheme were issued by the Royal Bank of Scotland and a further 30% were issued by Lloyds bank, yet 27 banks are operating in the marketplace. No matter how we look at the figures, that means that 25 banks are simply not doing their job and supporting small and medium-sized enterprises. What will the Prime Minister do to ensure that those dilatory banks do all they can to help SMEs have the working capital—

Mr Speaker: Order.

Mr Binley: To ensure—

Mr Speaker: Order. The hon. Gentleman will resume his seat not when he chooses, but when I choose.

The Prime Minister: My hon. Friend has spoken up very passionately—and rightly—about that issue, because one of the keys to securing recovery is to get bank lending going. His points are extremely valid. A bank-led £1.5 billion business growth fund is providing finance to SMEs and we have added to that with the enterprise capital funds programme and the enterprise finance guarantee. That should secure an extra £2 billion of lending, but I agree with him that we need to be vigilant on the issue and to keep pressurising the banks to do more to help those small businesses.

Q14. [24334] **Gemma Doyle** (West Dunbartonshire) (Lab/Co-op): Reports suggest that as many as 1,700 of my constituents will lose their jobs as a direct consequence of the Government's spending cuts. What action will the Prime Minister take to ensure that unemployment in West Dunbartonshire does not reach the levels that it did under the last Tory Government?

The Prime Minister: What we have to do—the hon. Lady is right—is make sure that there is a private sector-led recovery. That is why we have low interest rates, corporation tax coming down, cuts in national

insurance for new firms that are hiring people and less regulation. We have all those advantages as an economy and we need to engineer a private sector-led recovery. The unemployment figures today, which I notice that the right hon. and learned Member for Camberwell and Peckham (Ms Harman) did not go anywhere near, are a good sign that that private sector-led recovery is under way.

Q3. [24323] **Priti Patel** (Witham) (Con): In September, Ofsted raided Powers Hall infant school in Witham, despite an outstanding head teacher making a formal complaint about the inspector and the poorly constructed report by Ofsted. Two teachers have resigned from the school and the head teacher is now asking for the school to be re-inspected. Will the Prime Minister visit that tremendous school to hear at first hand the disgraceful and bureaucratic way in which it has been treated by Ofsted? Will he press for Ofsted to withdraw this flawed report while an independent inquiry is launched?

The Prime Minister: My hon. Friend speaks up powerfully for her constituency. I can understand the concern. Obviously, it is important that school inspections are carried out to the highest possible standards and I do not think that it would be right for me to comment in detail on an individual case. There would be dangers in automatically withdrawing a report because a complaint has been made—some might use that to frustrate the process—but we need to ensure that reports are done in a good and professional manner.

Constituency Visit (Central Ayrshire)

Q4. [24324] **Mr Brian H. Donohoe** (Central Ayrshire) (Lab): When he next expects to visit Central Ayrshire.

The Prime Minister: I look forward to visiting Scotland soon.

Mr Donohoe: I note that the Prime Minister did not say that he was coming to Central Ayrshire; he does not know what he is missing. If Mohammed will not come to Ayrshire, is it possible, given the reports in the national press about Irvine, the largest town in my constituency, having the highest unemployment in Scotland, that he would meet a small delegation to discuss the question of unemployment?

The Prime Minister: The hon. Gentleman raises what will be one of the defining issues of the next few years, which is how we get people out of unemployment and how we ensure that losses of jobs in the public sector are made up for by growth in the private sector. That is an absolutely key area. That is why bank lending matters, why helping SMEs matters, why tax rates matter and why the regional growth fund that we are introducing helps. I am certainly happy to meet the hon. Gentleman—I wanted to keep him in a bit of suspense—just in case I do not make it to Central Ayrshire.

Several hon. Members *rose—*

Mr Speaker: Order. As the House will know, that was a closed question about Central Ayrshire. We are now back to open questions.

Engagements

Stephen Gilbert (St Austell and Newquay) (LD): The Prime Minister will no doubt be aware that my constituency has suffered from severe flooding overnight. Many hundreds of people are affected and there has been significant damage and disruption in central Cornwall. Will he join me in commending the professionalism of the emergency services and their response to the incident and will he further commit the Government to doing all they can to help support the affected communities in the coming weeks and months?

The Prime Minister: I can certainly do that. I have just spoken to Alec Robertson, the leader of Cornwall council, about the situation in Cornwall. There was a very difficult night in central and south-east Cornwall. The emergency services—the police, the coastguard, the fire services and search and rescue—have been working around the clock and they have done a fantastic job, and I am happy to send that message loud and clear from this House. There are no reports of casualties yet, but there have been some medical evacuations. The train line is still blocked and the A38 is still closed, but I know that everyone is working around the clock to try to get this sorted. We have said that we stand ready to help in any way we can and what the hon. Gentleman says is important—we have to remember that when the flood waters start to recede, many of the biggest problems arise with insurance and getting people back into their homes. We must ensure that we help people in every way we can.

Q5. [24325] **Owen Smith** (Pontypridd) (Lab): Writing in *The Sun* in January this year, the Prime Minister said that

"midwives are stretched to breaking point…So we will increase the number of midwives by 3,000…This is the maternity care parents want…And under a Conservative Government, it is what they'll get."

This morning, the Prime Minister stands accused by the Royal College of Midwives of reneging on that promise. Does he want to take this opportunity to differentiate himself from his Deputy's attitude to such solemn promises, and honour that pledge to midwives and mothers?

The Prime Minister: We do want to see an increase in the number of midwives and, unlike Labour, we are actually funding the health service in a way that makes that possible. The hon. Gentleman's shadow Chancellor said, when asked about our pledge to increase funding in the health service:

"There is no logic, sense or rationality to it at all."

I know the hon. Gentleman used to work on the "Today" programme, so let me give him a thought for the day: "The health service is better off with our Government."

Gordon Henderson (Sittingbourne and Sheppey) (Con): Will my right hon. Friend the Prime Minister take this opportunity to assure my constituents in Sittingbourne and Sheppey that planning circular 01/06 will be scrapped in the near future, and that Travelling communities will then be treated in the same way as settled communities with regard to planning law?

The Prime Minister: I am not fully up to date with that particular planning circular, but I reassure my hon. Friend that, as I have said here before, Traveller communities

should be treated in a similar way to other communities, in that they cannot have planning permission retrospectively granted when they have not obeyed the rules. That is not right. Everyone should obey the law.

Q6. [24326] **Bill Esterson** (Sefton Central) (Lab): I wrote to the Prime Minister about my constituent, Scott Sheard from Formby. Scott suffered severe brain damage when he was assaulted in July, and he needs a wheelchair so that he can go home. Will the Prime Minister join me in welcoming the good news that Scott's wheelchair will be ready next week, and will he intervene to help others in Merseyside and elsewhere who have been on the waiting list for wheelchairs for far too long?

The Prime Minister: Yes, I am certainly happy to do that. The hon. Gentleman makes an extremely important point. MPs of all parties in all parts of the House, and anyone who has ever tried to get a wheelchair for anybody, will know that the delays and the lack of choice and the lack of power people have is incredibly frustrating. It must be possible in this day and age to put more power in the hands of patients or parents to make sure we have better choice, faster wheelchairs—*[Interruption.]* Sorry. We should get the wheelchairs a bit faster.

Andrew Griffiths (Burton) (Con): With Ministers taking 5% pay cuts and Departments facing a reduction of 19%, does the Prime Minister share my dismay that the Labour party is to receive an extra £1 million of taxpayers' money—an increase of 20%? If we are all in it together, should it not pay it back?

The Prime Minister: My hon. Friend makes a very good point. A lot of people on the Opposition Front Bench do not seem to understand that the taxpayer provides Short money and the amount that goes to Labour is going up by 21%. As other Departments are having to take such severe cuts—the cut in No. 10 Downing street, for instance, is 25%—I look forward to an offer from the Labour party.

Q7. [24327] **Stephen Timms** (East Ham) (Lab): I welcome the commitment the Prime Minister made two weeks ago to a new silicon valley in east London, but will it be like the promise to the midwives? Can he tell us how many jobs he wants to see created in east London, and what specific steps he and the Government will be taking to make that happen?

The Prime Minister: First, I praise the people who put together the idea of "tech city" in east London, in terms of the number of businesses they have actually encouraged to commit to going there—Google, Intel and others. I do not think it is right for the Government to try to identify the precise number of jobs that will be created, but we have seen a huge level of enthusiasm, great commitment from Ministers, and a number of businesses committing to going to Shoreditch and the Olympic park, where there is a fantastic space for an incubator for new businesses. I hope the right hon. Gentleman will help us to get behind that and create what could be a silicon valley for the east end.

Q8. [24328] **Karen Bradley** (Staffordshire Moorlands) (Con): One of the keys to securing economic growth in areas such as Staffordshire Moorlands is the promotion of vocational education and apprenticeships. Can the Prime Minister assure students and staff at further education colleges, such as Leek college in my constituency, of the Government's continued commitment to this area?

The Prime Minister: Yes, absolutely. My right hon. Friend the Skills Secretary produced the skills strategy yesterday, and yes, we are having to make difficult decisions, but in the middle of that, we are increasing the number of apprenticeships by 75,000 over what was planned, as well as putting more money into building FE colleges, which is vital for the future skills of our country.

Mr Nigel Dodds (Belfast North) (DUP): I endorse the sentiments expressed earlier by the Prime Minister in relation to the tragic death of Ranger Aaron McCormick of the 1st Battalion The Royal Irish Regiment, who was tragically killed on Remembrance day. His service and that of others will never be forgotten. Many troops from Northern Ireland are serving in Afghanistan.

May I associate my right hon. and hon. Friends with the Prime Minister's expression of best wishes to the happy couple—the royal couple? We wish them well for the future and I hope they will enjoy a visit to Northern Ireland in due course.

On Afghanistan, can the Prime Minister give us an update on the training and equipping of Afghan security forces, a process allowed only by the service and sacrifice of our troops?

The Prime Minister: The right hon. Gentleman is right. The training mission and the equipping and training of Afghan soldiers and police officers is not only essential for the future of Afghanistan, but is the way in which we will be able, over time, to draw our own soldiers down and bring them home. We have the NATO summit this weekend. That will be one of the most important issues on the agenda. The training mission is now being well supported. We are giving huge support, but other countries are coming in behind us. The performance of the Afghan army is improving, but we have to keep working at that and making sure that it has all the equipment that it needs.

Q9. [24329] **Richard Harrington** (Watford) (Con): Last week Warner Bros announced £100 million investment in Leavesden Studios in my constituency. That is very welcome, as it will provide more than 600 jobs and a real boost to the local economy. Will my right hon. Friend confirm that the producer tax credit for the film industry, which was significant in Warner Bros' decision to make the investment, will continue, and that the Government will consider ways to get British investors to invest in British films made here so that the profits remain in this country?

The Prime Minister: My hon. Friend makes an extremely good point. What Warner Bros is doing is very welcome. We are committed to supporting the film industry. We are committed to continuing with the tax credits that he speaks about. One of the keys to Warner's success in his constituency is the Harry Potter film franchise that it has been making. It has been incredibly successful. There is a great tip and key to filmmakers, which is that

we must make films that people want to watch, and films that will have a benefit beyond themselves—that also encourage people to come and visit our country.

Q10. [24330] **Tony Lloyd** (Manchester Central) (Lab): Can the Prime Minister be very precise and tell the House whether he is honestly saying that if one in four police officers are taken out of Greater Manchester, as well as one in four of the police community support officers, that will have no impact on deterring and detecting crime? If he will say that, will he come to Manchester and explain it to people whose fear of crime is still a major issue?

The Prime Minister: What I say to the hon. Gentleman is, first, that the chief constable has said:

"We have been working for some time on plans to ensure the Force provides the most efficient service and the maximum resources are focused on frontline policing."

When one looks at the figures for how few police officers really spend their time on the beat because of the paperwork and the form-filling, and when one looks at how we are managing our police forces and at the numbers in human resources, finance, IT and training, I say that we must do better. There is a choice. We can either say, "All reductions in public spending are a disaster and we can't deal with them," or we have to try and find a way to get more for less. That is what we are doing in the coalition Government. The Opposition are just not engaged in the debate.

Malcolm Bruce (Gordon) (LD): Does the Prime Minister agree that as an international trading nation and a leader in international development, it is vital that we can attract key people from around the world to this country for short and long-term stays? When will he be able to tell the House how the Government are finalising the criteria for the visa and immigration cap, to end the uncertainty that could damage investment in the UK as a preferred location?

The Prime Minister: I can tell my right hon. Friend that we are working on the issue. I do not think there will be any difficulties in achieving the two goals that we have. One is to get the immigration system that we inherited under control. The current level of net immigration into the UK of 200,000 a year—2 million over a decade—is too high. It needs to be brought down, but we should do that in a way that is business-friendly and helpful to the economy. When we look at the rules that we inherited and the fact that people were coming into this country under tier 1, but often had no skills at all or were not working in skilled jobs—some were even working in pizza restaurants—it is clear that the system was not working properly. That is what we have to get right.

Q11. [24331] **Karl Turner** (Kingston upon Hull East) (Lab): What does the Prime Minister have to say to my constituents on the Ings estate on Preston road in east Hull, who will now be left in unfit housing because his Government have scrapped the flagship housing market renewal programme, the Gateway pathfinder scheme? Over the past few days, I have been inundated with constituents who are desperate, living in properties surrounded by properties that are boarded up. I am seeing them tomorrow night at a residents meeting—what message of hope can I give them?

The Prime Minister: There are schemes like the regional growth fund that people in the hon. Gentleman's constituency will be able to apply for to help to deal with issues such as improving the level of housing. That is one of the schemes that we have. We also have a huge programme for upgrading and building new homes through the new rent scheme. All these can make a difference, and he can talk to his constituents about them.

James Morris (Halesowen and Rowley Regis) (Con): Sandwell metropolitan borough, part of which I represent, has very high levels of deprivation. Can the Prime Minister reassure the children and parents from schools in Sandwell that the Government, particularly with their pupil premium policy, are on the side of children and families in Sandwell?

The Prime Minister: I absolutely can do that, because we made some difficult choices in the spending review to say that we are going to put more money into early-years education for two-year-olds from deprived families. That was previously not available. We are going to fund extra hours for three and four-year-olds in nursery education. We are going to make sure that there is a pupil premium, never dreamed of by a Labour Government in 13 years in office, that is over and above the per-pupil funding in our schools. Then we are going to carry that through to university so that children on free school meals will get some time at university for free and will not have to pay the student premiums. All those things will make a big difference, and they show that this is a Government who have made some progressive choices in education, even though we inherited a mess that we had to clear up.

Q12. [24332] **Bridget Phillipson** (Houghton and Sunderland South) (Lab): Does the Prime Minister agree with his Business Secretary that the scrapping of regional development agencies has been "Maoist and chaotic"?

The Prime Minister: Given that my right hon. Friend is implementing the policy, that is not his view. We all take the view that the RDAs wasted a vast amount of money. Many of them were not popular with the businesses in their area, and the local enterprise partnerships will do a much better job. I suggest to the hon. Lady that instead of complaining about it, she works with her local authorities to get a good local enterprise partnership in her area to start backing business, jobs and economic revival.

Amber Rudd (Hastings and Rye) (Con): On a day when employment is at the top of people's minds, could I ask the Prime Minister to join me in congratulating the Saga Group on its wise decision to move into Hastings, which has very high public sector employment, with up to 800 new jobs for the town?

The Prime Minister: I am very happy to join my hon. Friend in congratulating Saga and the very good work that it does. I am sure that in choosing Hastings it has made an excellent decision. There is good news in today's unemployment figures, and we should celebrate that. There is a lot more to do to get this economic

recovery under way, but it would help if we did not have so many people determined to talk down the performance of the British economy.

Q13. [24333] **Mr Ben Bradshaw** (Exeter) (Lab): Does not the devastation in Cornwall illustrate the false economy of the Prime Minister's recent decision to slash investment in flood defences?

The Prime Minister: That is simply not the case. The fact is that the Department for Environment, Food and Rural Affairs will be spending over £2.1 billion on flood and coastal erosion risk management over the next four years; that is roughly the same as what was spent over the past four years. We made some difficult choices in the spending round, but we protected flood defences because that is important. But all the while we had to bear in mind the absolutely wretched and rotten inheritance we had from the lot over there.

Mr Speaker: We now have an Urgent Question. I call Mr Peter Bone. *[Interruption.]* Before the hon. Member for Wellingborough gives the House the benefit of his thoughts, can I appeal to right hon. and hon. Members who are leaving the Chamber to do so quickly and quietly? Mr Bone wishes to be heard, I wish to hear him, and I hope that the House wishes to hear him.

Finance Ministers' Meeting (Ireland)

12.34 pm

Mr Peter Bone (Wellingborough) (Con): *(Urgent Question)*: To ask the Chancellor of the Exchequer whether he will make a statement on the Government's position about the proposed financial rescue package for Ireland.

The Financial Secretary to the Treasury (Mr Mark Hoban): I am grateful for this opportunity to make a statement to the House about Ireland.

The House will understand that the Chancellor is currently in Brussels at the meeting of the Council of EU Finance Ministers. I understand that hon. Members are concerned about the events that have unfolded.

Ireland has been facing difficult economic and banking challenges for some time, and as a member of the euro area its ability to use policy to respond to economic shocks is less flexible than our own. As a result, there are ongoing market concerns about Ireland's economic and financial resilience.

Let us be clear: there has been no formal request for assistance from Ireland, or for that matter from any other member state. I hope the House will understand that it would be inappropriate for me to engage in any speculation on what might happen in Ireland, given that it has made no request for assistance. It is not for me to say whether Ireland should request assistance, just as I would not tell it how to run any part of its economy. Its large financial institutions have obviously got themselves into difficultly, and we very much hope it will be able to resolve those pressures.

Ireland is one of our biggest export markets. We have very close economic ties with it and, as the Chancellor said this morning, it is in Britain's national interest that the Irish economy is successful, so we stand ready to support Ireland in the steps that it needs to take to bring about stability. I am sure that our fellow EU member states will share that sentiment, and I assure the House that we will keep it informed of developments.

Mr Bone: I thank the Minister for his response. At a time when the United Kingdom is already contributing extra funds to the European Union—over the next five years our net contribution will be £41 billion, an increase of more than £21 billion compared with the past five years—and when we are making drastic cuts in the UK's economy, does he think it is acceptable that any further funds should be committed to the EU?

The coalition Government have made it clear that we will not join the euro during this Parliament, arguing that the euro, with its single interest rate but diverse economies, cannot work. Will the Minister confirm that we will not be joining the euro?

The Government have also made it clear that the UK will not support the euro. Will the Minister therefore rule out the UK participating in any bail-out of the Irish economy? Will he also confirm that the €440 billion special-purpose vehicle facility—a voluntary intergovernmental agreement between eurozone countries—should be used for any such bail-out?

Does the Minister further agree that the use of the stabilisation mechanism, which the United Kingdom guarantees up to £8 billion, was not intended to be used to bail out eurozone countries facing financial pressure? Finally, does he agree that what is required from the EU is support for member states' policies when, like Ireland, they are trying to do the right thing? Instead, the EU has undermined Ireland and created a crisis.

Mr Hoban: May I first reassure my hon. Friend that it is not the Government's intention to join the euro during this Parliament? I am not entirely sure what the Opposition's view is, but we have ruled that out.

My hon. Friend mentions the two mechanisms that are available for stabilisation. The stabilisation facility is purely for eurozone member states, outside the auspices of the current treaties and a bilateral, Government-to-Government arrangement. The mechanism that he refers to is available to all members of the European Union. The previous Government and the previous Chancellor decided to join it in the days prior to the formation of the current Government, and I believe that they need to be held to account for that decision.

Chris Leslie (Nottingham East) (Lab/Co-op): Clearly, these are difficult times for the world economy, and Ireland is the current focal point of market concerns. Although the Minister offered little in the way of detail today, is it not clear that, stepping back, the overall long-term lesson to learn from these developments is that economic growth matters?

Ireland is a vital trading partner, to which 7% of our exports are sold, and the current situation matters because its economic strength has a significant effect on our own growth prospects. Will the Minister accept that the emerging global recovery is fragile, and that to rely as heavily as the Government do on export-led growth in the years ahead is a risky gamble?

Will the Minister confirm that this issue extends beyond trade, and that UK banks have lent about £83 billion directly to Irish households and companies? We saw at the G20 last week that the Government need to show stronger leadership on economic growth here and abroad, so can he reassure the House that any forthcoming package from the EU will address fundamental and underlying economic issues rather than act as a sticking plaster, merely tackling symptoms that may recur again and again in future?

The previous Government were clear that the problems facing countries adopting the euro would need to be solved first and foremost by member states within the euro area. Will the Minister confirm that the principal fund designed for any loan to support the Irish or other eurozone countries would be the European financial stability facility, which is envisaged at about €750 billion? Are reports in today's *Financial Times* correct that the UK is spending time and effort spinning any future action as "bilateral support" rather than co-ordinating with the EU? Would it not be better if the Government were straight with the public about what they plan?

Does the Minister accept that, although we were right to stay out of the euro, it is essential that the euro is stable and successful for the long term? Will the Minister say categorically that the Treasury's position will be driven by the best interests of British growth and jobs and not designed to pander to the Eurosceptic political instincts of those in his party who might circle the eurozone in its time of difficulty?

In 2006, the Chancellor wrote in *The Times* that Ireland's economy provided a "shining example" to us all. Is it not clear now that, rather than being an example, it provides a warning of the dangers of a one-track economic strategy, built around austerity alone, that endangers growth and puts jobs at risk? Both abroad and at home, what matters is a strong strategy to rebuild jobs and growth.

Mr Hoban: The Chancellor made it clear this morning that we will do what we need to do in accordance with Britain's national interest. Ireland is our closest neighbour, and it is in our interests to ensure that the Irish economy is successful and that it has a stable banking system. He said that we stand ready

"to support Ireland in the steps it needs to take"

to bring about that stability. The reality is that Ireland has got some things right. It has a flexible labour market and low taxes. None the less, it made the same mistake as the previous Government—it failed to regulate its banks properly. The problem in Ireland is driven not by high public spending but by a banking crisis. If we listened to the Opposition, the UK would be the only country that was weakening rather than strengthening its fiscal position.

It is clear that the actions we have taken have been welcomed by a range of bodies at home and abroad. What is happening at the moment demonstrates that concerns about sovereign debt issues have not disappeared. We should be grateful that, thanks to the actions of this Government, Britain has moved out of the fiscal danger zone.

Several hon. Members *rose—*

Mr Speaker: Order. There is much interest and little time, so in questions and answers alike I require brevity.

Mr William Cash (Stone) (Con): The €440 billion eurozone facility can be used without infringing either UK liability or sovereignty. The Darling guarantee mechanism with qualified majority voting involves, unnecessarily, both UK liability and sovereignty. Where it is in our national interest and we can afford it, why not provide a UK-Irish but non-EU loan?

Mr Hoban: I hear my hon. Friend's words, but reiterate to him and to the rest of the House that no request has been made for assistance, and that it would be inappropriate to make any further comments.

Kelvin Hopkins (Luton North) (Lab): I have a large number of Irish constituents, and I am naturally concerned about their families and livelihoods back in Ireland. The fact is that the Irish crisis is part of a wider crisis in the eurozone, affecting a number of countries that will be unable to sustain long-term membership of the euro. Is it not time to have discussions—privately, perhaps—about the possibility of reconstructing national currencies, particularly the punt, so that the Irish can join the sterling zone, where they belong, and not the eurozone?

Mr Hoban: I am sure that the Irish Government will have heard the hon. Gentleman's remarks. It is not for this Government to dictate policy to other EU member states.

Mr John Redwood (Wokingham) (Con): As the Irish Government need a workout and not a bail-out to deal with their risks and credit problems, should not the British Government support them and resist the foolish intervention by Germany, which is trying to use this as part of a power grab for the EU?

Mr Hoban: Let me repeat the remarks that my right hon. Friend the Chancellor of the Exchequer made earlier today. To an extent, they reflect the concerns raised by my right hon. Friend. He said:

"Britain stands ready to support Ireland in the steps it needs to take."

Mark Durkan (Foyle) (SDLP): Given that Chancellor Merkel's comments have caused such turbulence in the bond market in the past week, I welcome the measured and respectful terms in which the Financial Secretary and the Government have addressed the crisis in Ireland. Does the Financial Secretary accept the judgment of EU Commissioner Olli Rehn? He said:

"In the case of Ireland in particular, we need to recall that sovereign debt has not been at the origin of the crisis. Rather, private debt has become public debt. The financial sector has misallocated resources in the economy and then stopped working. It needs reform."

The problem does not apply only in Ireland. I remind the Financial Secretary that, if the national pension reserve fund is counted, Ireland's debt to GDP ratio is not that far wide of the UK's currently.

Mr Hoban: The hon. Gentleman makes an important point. The crisis is around the banking system in Ireland—it is not a fiscal crisis. Of course, we almost had to learn the lessons of failure to regulate the banking system. The Government therefore introduced radical reforms to strengthen the stability of the banking sector in the UK.

Duncan Hames (Chippenham) (LD): Does the Financial Secretary accept that it would be a disservice to families and businesses in Ireland to exaggerate their economic woes, just as it would be in this country?

Mr Hoban: We are in difficult times and it is best to focus on what can be done to help the Irish economy rather than engage in a debate about statistics on Ireland's current economic performance.

Mr Denis MacShane (Rotherham) (Lab): May I welcome the statement of the Financial Secretary and the Chancellor, and their offer of £6 billion of UK taxpayers' money to help stabilise the eurozone? We must all welcome the contribution to consolidating the eurozone as a sound economic area. However, what has happened to moral hazard? Most of the money will go to the banks. When will they pay anything—any price—for the crisis they caused?

Mr Hoban: I want just to reiterate—to correct the right hon. Gentleman—that no formal request has been received from the Irish for assistance.

Michael Fallon (Sevenoaks) (Con): Irrespective of our obligations under the new European mechanism, which the Labour Chancellor agreed, will my hon. Friend

[Michael Fallon]

confirm that there is a strong British national interest in securing a stable banking system on both sides of the Irish sea?

Mr Hoban: My hon. Friend is absolutely right. We have strong economic ties with Ireland, which is one of our biggest trading partners. Our economies are closely interlinked, and it is therefore in our national interest to ensure that the Irish economy and banking system are stable.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): What is Her Majesty's Government's strategic view of the crisis? Should we bail out the Government or their banks?

Mr Hoban: I reiterate that no request for assistance has been received from the Irish Government.

Mr Philip Hollobone (Kettering) (Con): Will my hon. Friend confirm the extent of Britain's liability under the non-eurozone mechanism? Has he considered the possibility of renegotiating the package that the previous Government left us?

Mr Hoban: My hon. Friend should be aware that under the mechanism there will be no liabilities if no request for assistance has been made.

Michael Connarty (Linlithgow and East Falkirk) (Lab): Does not the Financial Secretary think it worrying that, when the Irish Government consistently say that they do not require a bail-out, the speculators in the bond market—the hyenas who used to attack our currency—try to bring down the Irish Government's financial position? Is not it right to support Ireland and the euro, of which it is part?

Mr Hoban: As I said before, it is important that Britain stands ready to support the Irish Government to resolve those problems.

David Rutley (Macclesfield) (Con): Will the Financial Secretary tell the House about the strong interest being shown across the world in the Government's positive approach to tackling fiscal consolidation? Does not that further confirm that this country is now on the right path to tackling the economic crisis?

Mr Hoban: My hon. Friend is absolutely right. The crisis reminds us of the continuing focus on sovereign debt. The Government have taken clear measures to tackle our fiscal problems, and international bodies have recognised that. It is one of the reasons for Standard & Poor's reporting our credit rating as stable compared with its negative outlook under the previous Government. We are taking the right steps to secure our fiscal position, bearing in mind that the crisis in Ireland is around banking, not the fiscal position.

Mr Gregory Campbell (East Londonderry) (DUP): It is in no one's interests for the Irish Republic's economy to go down even further, but taxpayers in the United Kingdom are worried that the Irish Republic could be next, followed by Portugal, Spain and Italy, and that the full and true extent of what we might have to pay is not known.

Mr Hoban: I do not want to engage in speculation about the eurozone; I do not think that that is very helpful. The hon. Gentleman, like the hon. Member for Foyle (Mark Durkan) and their colleagues, will know from experience in Northern Ireland that we have very strong interests in the stability of the Irish economy, and it is important that we stand ready to help the Irish Government in stabilising it.

Harriett Baldwin (West Worcestershire) (Con): Does the Minister agree that the problem in Ireland is not so much the fiscal measures that it is taking, or global growth, but the fact that it is in the euro, and that as long as Ireland is in the euro it is hard to see how it can work its way through these problems? Would the Minister like to pay tribute to all those on this side of the House who fought to keep this country out of the euro?

Mr Hoban: Indeed, and my hon. Friend makes an important point. We have access to a wider range of economic tools to resolve our problems as a consequence of our being outside the euro. It is also worth bearing it in mind that this crisis flows from the banking sector, not from public spending in Ireland.

Albert Owen (Ynys Môn) (Lab): It is right to support our near neighbours in Ireland and their economy. The problem over the past 18 months has been twofold: severe austerity measures and the collapse of the construction industry. Will the Government ensure that we do not follow that path? Will the Minister use the flexibility the Government have outside the euro to ensure that we slow the cuts and do not have the mass unemployment and depopulation that we have seen in Ireland?

Mr Hoban: I thought that the hon. Gentleman almost had it. The crisis in Ireland is around the banking sector, not the fiscal position. I believe that we are taking the right measures to stabilise the UK economy—the cuts we are making in public spending—to get our deficit under control and to keep interest rates as low as possible for as long as possible. Labour Members are the only ones calling for a weaker fiscal position when the world is moving to stronger fiscal stances.

Mr Douglas Carswell (Clacton) (Con): If we are to spend taxpayer money dealing with this crisis, rather than bailing out the euro should we not be helping Ireland to bale out of the euro or, at the very least, to retain her economic independence against the Van Rompuy system of pan-European economic governance?

Mr Hoban: I hear what my hon. Friend says about the crisis. Let me be absolutely clear: no request for support has yet come from the Irish Government. It is important that we ensure that the Irish economy is stabilised—it is in our national interests to do so.

Naomi Long (Belfast East) (Alliance): I thank the Minister for the reassurance he has already provided in not ruling out intervention or assistance should it be required. Will he provide further reassurance that he will give special consideration to the situation in Northern Ireland, where many of the Irish banks to which he refers are operational and indeed on which many of our businesses rely?

Mr Hoban: Indeed, and the hon. Lady makes an important argument about why we need to stand by the Irish Government and provide assistance if they request it.

George Freeman (Mid Norfolk) (Con): Can the Minister provide my constituents and the markets with the reassurance that any British involvement will be conditional on the full involvement of the International Monetary Fund?

Mr Hoban: As no request has been made, I cannot comment on that. Where support is given to economies, it is commonplace for the IMF to be involved.

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): The Government spent six months telling us that Britain was very much like Ireland and had a similar sovereign debt crisis. Now we hear that we are in a very different position because we are not in the euro and we have other economic tools. Which is right?

Mr Hoban: We have taken action in the UK to tackle our fiscal position to avoid a sovereign debt crisis. *[Interruption.]* Opposition Members need to recognise that the problems facing Ireland stem from a banking crisis—the banking sector was poorly regulated. We are learning lessons from that in the UK, but it is very clear that because we are outside the euro we have the flexibility to engage in economic policy by setting interest rates that meet our economic needs, and we have the flexibility that our exchange rate brings in stimulating exports. We are in a much better position as a consequence of being outside the euro.

Matthew Hancock (West Suffolk) (Con): Would it not be a grave error if we took from this episode the lesson that we should weaken our resolve to deal with our debts and keep our house in order?

Mr Hoban: My hon. Friend is absolutely right. It is noteworthy that Opposition Members have made yet another call for us to put off making difficult decisions. We see in Ireland what will happen if we do not make difficult decisions now and sovereign debt ratings come under pressure.

Mr Ian Davidson (Glasgow South West) (Lab/Co-op): Does the Minister agree that we should thank goodness that Scotland is part of the United Kingdom? Scottish banks were bailed out by the UK as a whole rather than being left to float loose as those in Ireland have been? Does he agree that if, when they are making cuts, the Government can find billions of pounds to bail out Ireland, they could better use that money to ameliorate the effect of the cuts in the UK?

Mr Hoban: As I said, no formal request has been made for assistance. We have a clear national interest in the stability of the Irish economy, and that must be recognised.

Charlie Elphicke (Dover) (Con): Does not the crisis in Ireland and across Europe underline how right the Government have been to take the tough but necessary action to save us from bankruptcy? Will the Minister condemn the siren voices in Europe that are talking down Ireland, and will he be a friend in need, as we, as a country, should be?

Mr Hoban: My hon. Friend makes a number of very valuable points. If we had not taken tough action when we came into government, when rating agencies had our credit rating as negative, we would not have managed to narrow the spreads on UK debt compared with German bunds and reduce the yields on British debt. All that is testament to the strength of the action we have taken to tackle Britain's fiscal problems and the legacy we inherited from the Labour party.

Hugh Bayley (York Central) (Lab): Has the Treasury considered the implications for sterling if the Republic of Ireland were to leave the euro and seek to re-peg to the pound?

Mr Hoban: That is speculation, and I do not think it appropriate to engage in that at this stage.

Mr Laurence Robertson (Tewkesbury) (Con): In the event of a request for assistance from European funds, does the Minister believe that Ireland should be allowed to set its own rate of corporation tax, with its low rate being a strength rather than a weakness?

Mr Hoban: As I said earlier, a number of aspects of Irish economic policy created growth, but I remind my hon. Friend, and Opposition Members, that the problems facing Ireland stem from a banking system that was not well regulated, which led to an asset price bubble. We have taken the right action in this country to tackle our deficit and to avoid having our credit rating put at risk.

Ian Paisley (North Antrim) (DUP): The mechanism established to address bad banking debt in the Republic of Ireland, the National Asset Management Agency, known as NAMA, holds several billion pounds of properties in Northern Ireland and across the rest of the United Kingdom, particularly here in London. What representations are the Government making to protect our economy from NAMA deciding to float that property at the cheapest possible price to meet the needs of the banking sector in the Republic of Ireland, thereby damaging our economy?

Mr Hoban: I hear what the hon. Gentleman says about NAMA. It is not for us to speculate on the policy that should be followed by NAMA or the Irish Government.

Andrea Leadsom (South Northamptonshire) (Con): Does my hon. Friend agree that the banking crisis was caused, in large part, by poor regulation? Will he take into account comments made by the City of London corporation to the Treasury Committee yesterday that UK banks believe that the regulatory regime we are putting in place in the UK has elements that are not compatible with the European regulatory regime? Will he take those comments very seriously and try to make sure that Britain's banking sector is properly regulated and not incompatible with the European regime?

Mr Hoban: I have not seen in detail the comments made by the City of London corporation yesterday in evidence to the Treasury Committee, but I am determined that the regulatory reforms that we introduce will lead to a more stable and sustainable financial services sector—and a more stable and sustainable economy.

Andrew Bridgen (North West Leicestershire) (Con): Does the Minister agree that the test of any currency is in the tough times, not just the good ones? That was explained to all the countries that joined the euro, many of which, in my view, did so with their eyes wide shut. Is it not abhorrent that this liability, and the failure of the euro, should become a liability to the UK taxpayer at this time?

Mr Hoban: I do think that we have an interest in having a strong, stable eurozone and eurozone economy. Member states will reflect on the measures that need to be taken to strengthen the eurozone; that is part of the thinking behind some of the measures in the economic governance paper proposed by Herman Von Rompuy just a few months ago.

Points of Order

12.59 pm

Chris Bryant (Rhondda) (Lab): On a point of order, Mr Speaker. I am sure that you are aware that on 19 March 1997, the House passed a resolution that included various provisions, one of which is that it is of paramount importance that Ministers give accurate and truthful information to Parliament, and another that Ministers should be as open as possible with Parliament and refuse to provide information only when disclosure is not in the public interest.

Yesterday evening for some hours, we debated whether the next general election should be held in 2015 or 2014. Of material relevance to that debate were the Government's intentions in relation to the combining of polls in Wales, Scotland and Northern Ireland with the general election in 2015. The Parliamentary Secretary, Cabinet Office, the hon. Member for Forest of Dean (Mr Harper), sat in the Chamber throughout the debate but said nothing until the very last moment at 9.30 pm, when he revealed that he intended to write to the devolved Administrations—I understand that that has already happened—to ask whether they would like a new power.

That materially affected every single aspect of yesterday afternoon's debate. I believe not only that it was a gross discourtesy to the House for the Minister to have operated in that fashion, but that it offends directly the resolution of the House of 19 March 1997. He said that he will write to the devolved Administrations, and therefore relied on that for part of his argument. Will you, Mr Speaker, ensure that he makes all such letters available in the Library of the House? I realise that it is not within your power to tell him that we cannot have Report stage of the Bill until such time as amendments on elections can be tabled in the elected House—before they can be made in House of Lords—but can you look into whether there has been a breach of that resolution?

Mr Speaker: What I would say to the hon. Gentleman is that ordinarily—as he would expect—the precise contents of the resolution of 19 March 1997 are firmly imprinted on my mind almost as firmly as they are on his. Nevertheless, I am happy to refresh my memory on that matter.

On the face of it, however, I have a slight suspicion that the hon. Gentleman, who is a very assiduous parliamentarian, is continuing the debate. I am not saying that there is not something upon which I need rule, but that I am not clear whether there is. Ministers can speak when they wish in relation to those matters, including when winding up debates. I sense that the hon. Gentleman is extremely dissatisfied with ministerial silence when he expected a ministerial response. That may be a matter of a point of frustration, and there might even now and again be discourtesy, but it is not apparent to me as yet that there has been a breach of order.

I know how persistent a terrier the hon. Gentleman is, and I will look into the matter and revert to him, but I do not think that he needs to make another long point of order just yet.

The Parliamentary Secretary, Office of the Leader of the House of Commons (Mr David Heath): Further to that point of order, Mr Speaker.

Mr Speaker: On this matter, the Deputy Leader of the House might be able to provide enlightenment.

Mr Heath: The hon. Member for Rhondda (Chris Bryant) would be the first to make a point of order had my hon. Friend the Minister released in writing something that should properly have been put before the House—as it was—by him in a debate on the relevant subject. I can think of no better illustration of the proper way for Ministers to behave in relation to the House.

Mr Speaker: I hope that colleagues will understand if I say that at this point, pending any further study, I feel confirmed in my suspicion by that exchange that we are having a continuation of the debate. That may be stimulating, but it is not really within the realms of points of order. Someone who I am sure knows about the realms of points of order on the strength of his 26 years' service in the House is the hon. Member for Stone (Mr Cash).

Mr William Cash (Stone) (Con): Further to that point of order, Mr Speaker. I am extremely grateful to you for reminding me of that.

What happened last night was somewhat affected by the fact that the Minister's statement came at the end of the debate. Would it not have been far more convenient and courteous to the House if he had made that announcement at the beginning of the debate? The announcement affected proceedings and the status of amendments that were not debated.

Mr Speaker: The short answer to the hon. Gentleman is that that may or may not be so, but unfortunately, it is not a matter of order. If he or other hon. Members are seeking to increase the powers of the Chair, they must find ways to do so—if he is asking whether I would strenuously resist, the answer is almost certainly no—but within the powers that I have, I cannot do anything about the matter other than to allow him, within limits, to expatiate, which is what he just did.

Barbara Keeley (Worsley and Eccles South) (Lab): On a point of order, Mr Speaker. Today we heard the Prime Minister pledge that the Government would stand ready to help the flood victims in Cornwall. That pledge is similar to one that he made to my constituents when we had a terrible gas explosion two weeks ago—200 households were evacuated, and a dozen people were injured, including one very seriously.

When I tried to follow up on the Prime Minister's pledge to my constituents, his officials said that no help was forthcoming. Is it in order for the Prime Minister to stand at the Dispatch Box in Prime Minister's questions pledging the Government's support to victims of explosions or floods when his officials have no intention whatever of offering any support?

Mr Speaker: Of course, action should always follow words, but if we were to establish that as a total precedent in the House, it would probably create some difficulty. The hon. Lady has put her thoughts very clearly on the record. It was not really a point of order, but she is a pretty ingenious Member, and I have a feeling that she will find other ways, in debate and questioning, to air her views on that subject. I look forward to her doing just that.

Onshore Wind Turbines (Proximity of Habitation)

Motion for leave to bring in a Bill (Standing Order No. 23)

1.6 pm

Chris Heaton-Harris (Daventry) (Con): I beg to move,

That leave be given to bring in a Bill to give powers to local planning authorities to specify the minimum distances permissible between onshore wind turbines of certain dimensions and the nearest habitation; and for connected purposes.

I am proud to be a Back-Bench Member of a Government who truly believe in localism and removing the top-down, centre-knows-best approach to government that grew out of hand in the past 13 years. Nowhere was that malignant approach more visible to the people who elect us than in how the previous Government forced their views on local areas and imposed massive changes on localities, such as large, controversial housing developments, or even more controversial wind farms.

My Bill would simply give local people and communities in areas where there are such wind farm proposals a real say on whether they take such developments. Numerous communities up and down the UK will be happy to take on such development, and I strongly believe that this Government's approach of much more carrot, compared with the previous Government's stick, will ensure that more proposals are passed.

I strongly contend that such developments should be allowed only when the local residents in the affected community have actually had a say—not just when they have been consulted—on the development that will change the nature of the place where they live. I also strongly contend that the best way to save so many communities up and down the country an enormous amount of strife, and at the same time save developers a reasonable amount of money, is to allow each local planning authority to set such minimum distances. Thus everyone will know exactly the state of play in each area.

That will hopefully eliminate the huge number of speculative proposals in areas where, under normal circumstances, it would be difficult to get planning permission even for a double garage. Many Members will know of the angst that is caused by proposals for massive turbines that are completely out of keeping with the local environment.

In my constituency, the usual height of a turbine applied for is 126.5 metres. Let me put that into perspective. The tower that supports Big Ben is 96.3 metres or 316 feet to the top of the spire. The London Eye is 135 metres tall. Those two structures dominate the local cityscape. Imagine what a number of structures twice the size of Nelson's column situated close together do to the landscape in the rolling countryside of Northamptonshire or similar, but not quite as beautiful, parts of the country. If hon. Members consider that alongside the problems associated with flicker and noise from turbines, they will understand why local planning authorities are best placed to judge whether areas within their boundaries are suitable for such large-scale developments. Wind turbine operators say that if there is a minimum distance between turbines and dwellings—a distance of 2 km, say—there would be very few areas in the United Kingdom where turbines could be sited.

[Chris Heaton-Harris]

That might be the case, but my Bill does not state what the minimum distance should be; it simply gives local planning authorities the opportunity to determine such distances—hopefully after consulting the people who live in an area—based on local knowledge and local conditions.

Many hon. Members feel the same way, including my hon. Friends the Members for Hexham (Guy Opperman), for Morecambe and Lunesdale (David Morris) and for Weaver Vale (Graham Evans), who have all followed me on this matter with great interest. In an Adjournment debate in October, the Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Wealden (Charles Hendry) reflected on the direction of current Government policy, saying:

"We have seen the benefits from offshore wind, but we recognise that communities often feel concerned that proposed wind farms in their areas will destroy the environment or have other negative impacts. We are convinced that, in the policy of localism that we are going to drive forward, local councils should be the driving force in deciding how they want their communities to develop. That is a fundamental part of the planning changes we are making." [*Official Report*, 13 October 2010; Vol. 516, c. 137WH.]

I would like to think that the Government will see this ten-minute rule Bill as a helpful nudge in the right direction, and perhaps even try to encompass it in the forthcoming localism Bill, and in doing so put some public confidence back into the planning system.

1.11 pm

Martin Horwood (Cheltenham) (LD): I agree with the commitment to localism shown by the Member for Daventry (Chris Heaton-Harris), and I suspect that there is barely a wafer between us on issues such as regional spatial strategies. However, I rise to oppose the Bill on the grounds that it is unnecessary, unwise and very unlikely to encourage the shift that we need in this country towards renewable energy. Instead, it runs the risk of feeding the irrational objections of a minority who have decided that wind power is bad and who will use almost any excuse to oppose it.

If hon. Members are in any doubt that this group is a minority, market research is remarkably consistent, with 70 to 80% of the UK population expressing support for wind, partly because wind turbines are probably the most beautiful and graceful form of energy generation, and because they are certainly prettier than the average nuclear power station—something that I understand the hon. Gentleman supports. Interestingly, support for wind power increases with proximity to wind farms. One piece of research showed that among people living near existing wind farms, support rose as high as 94%. That is entirely consistent with the experience in Denmark, which has the highest proportion of onshore wind and wind power in general, at nearly 20%, and the highest public support for wind power, at 93%. Indeed, that figure will probably increase as designs improve and wind turbines become quieter and possibly even more beautiful, as well as probably larger and more efficient.

The Bill is unnecessary because planning policy statement 22, which is already in force, says that local authorities already have the power to set minimum distances on a case-by-case basis. Paragraph 22 of the statement says quite clearly:

"Plans may include criteria that set out the minimum separation distances between different types of renewable energy projects and existing developments."

Indeed, our hon. Friend the Under-Secretary of State for Communities and Local Government, the hon. Member for Bromley and Chislehurst (Robert Neill), whom I am pleased to see in his place, confirmed the position in a reply to the hon. Member for Redditch (Karen Lumley), saying:

"Under current planning policy distances between wind turbines and dwellings are decided on a case by case basis so that local factors can be taken fully into account. Local planning authorities are already able to set out the criteria they apply in assessing applications for renewable energy development in their local plans provided this does not rule out or place constraints on development without sufficient reasoned justification." [*Official Report*, 1 November 2010; Vol. 517, c. 544W.]

That seems to strike exactly the right balance between localism and our commitment to renewable energy. The Government's localism Bill will, I hope, increase and enhance the freedom of local authorities to look at such matters freely, on a case-by-base basis. Bills such as this run the risk of undermining that by once again trying to get Parliament to hand policies to local authorities that they are better able to decide for themselves.

That is unwise, because blanket bans based on proximity are likely to lead to bad policy. If a ban had been in place in my constituency last year, it would almost certainly have prevented our very first wind turbine, which has been placed in Springfield park. It is much smaller than the ones that the hon. Member for Daventry talked about, but it is much closer to human habitation. A blanket rule might have prevented that wind turbine, which will now generate 9,500 kWh of electricity a year, save 4 tonnes of CO_2 a year and shave £1,000 a year off the energy bill of the nearby neighbourhood project. If a borough-wide policy had been in place, it would have complicated the process. Presumably the hon. Gentleman might argue that the local community could have tried to overturn that policy, but if it could be overturned, what would be the point of having it in the first place?

There is also the unintended consequence that might result, which is that the more we restrict wind turbines near to human habitation, the more we encourage them in more rural and more sparsely populated areas. I can see the planning appeals now, in which somebody cites what would be known as the Wind Turbines (Proximity of Habitation) Act 2010 as evidence that a wind farm should go ahead in an area because it falls outside the set distances. The Bill might therefore have precisely the opposite effect from that intended by the hon. Gentleman.

I am sad to say that I suspect that the real purpose behind the Bill is probably to appeal to the anti-renewable lobby, which seems to be growing. I would have hoped that, in the new situation, both coalition parties had moved on from this kind of politics. We are intending to be the greenest Government ever, and the Bill would sit badly with that ambition. Luckily, as a ten-minute rule Bill, it has little chance of success, so I will not trouble the House with a Division. However, I remain opposed to the Bill.

Question put (Standing Order No. 23) and agreed to.

Ordered,

That Chris Heaton-Harris, Andrew Percy, Sarah Newton, Natascha Engel, Matthew Hancock, Nigel Adams, Karen Lumley, Alec Shelbrooke, Andrea Leadsom, Mark Pawsey, Mr Richard Bacon and Andrew Griffiths present the Bill.

Chris Heaton-Harris accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 10 June 2011, and to be printed (Bill 108).

Opposition Day

[6TH ALLOTTED DAY]

NHS Reorganisation

1.17 pm

John Healey (Wentworth and Dearne) (Lab): I beg to move,

That this House believes that the Government is pursuing a reform agenda in health that represents an ideological gamble with successful services and has failed to honour the pledges made in the Coalition Agreement to provide real-terms increases each year to health funding; further believes that the Government is failing to honour its pledge in the Coalition Agreement by forcing the NHS in England through a high-cost, high-risk internal reorganisation as set out in the health White Paper; is concerned that the combination of a real cut to funding for NHS healthcare and the £3 billion reorganisation planned by the Secretary of State for Health will put the NHS under great pressure and that services to patients will suffer; supports the aims of increasing clinician involvement and improving patient care, but is concerned that the Government's plans will lead to a less consistent, reliable and responsive health service for patients which is also more inefficient, secretive and fragmented; and calls on the Secretary of State for Health to listen to the warnings from patients' groups, health professionals and NHS experts and to rethink and put the White Paper reforms on hold, so that in this period of financial constraint the efforts of all in the NHS can be dedicated to improving patient care and making sound efficiency savings that are reused for frontline NHS services.

The motion is set in similar terms to the motion standing in the name of my right hon. Friend the Member for Leigh (Andy Burnham), the shadow Education Secretary, which we will debate a little later. That is because in both health and education we are seeing many of the same broken funding promises, much of the same free market ideology, many of the same problems of big changes forced through without considering or caring about the consequences, and many of the same risks that the poorest and most vulnerable will lose out and that comprehensive, consistent public services will be broken up. Beyond the spending cuts, we are starting to see the pattern of what public service reform means in Tory terms.

The Prime Minister told Britain before the election:

"We are the only party committed to protecting NHS spending."

In his coalition agreement with the Deputy Prime Minister, he went further, saying:

"We will guarantee that health spending increases in real terms in each year of…Parliament".

The Government whom the Prime Minister leads are now breaking the promises that he made to the British people. The Secretary of State has been caught out double-counting £1 billion in the spending review as both money for the NHS and money to paper over the cracks in social care. Let me quote from a Library research paper, which confirms:

"Including the (social care) funding is critical to the description of the settlement as a 'real terms increase'; without it, funding for the NHS falls by £500 million—0.54% in real terms."

There we have it—the facts in the figures. There is no real-terms rise in NHS funding, but a real-terms cut over this Parliament by this Government—*[Interruption.]*

The Secretary of State says "Nonsense" from a sedentary position. If he wants to deny the figures in the Green Book, deny the report in the Library research paper,

[John Healey]

and take issue with the Nuffield Trust, who all say the same, he should do so. He should by all means take credit for funding social care, but he should not double-count the credit by including it for both NHS funding and social care funding.

The Secretary of State for Health (Mr Andrew Lansley): I do indeed deny that. It is very simple. The total NHS budget will rise in real terms. Resource funding will rise by 1.3% in real terms over four years. Even if the money to be transferred to local authorities were taken out, that is an increase in resource funding for the NHS in real terms.

The right hon. Gentleman must consider that if a health service buys rehabilitation for patients returning home after being in hospital so that they do not need another emergency hospital admission, or puts telehealth in someone's home so that their independence at home is maintained, that is health spending. It is the normal approach of the NHS to providing preventive services.

John Healey: There is a good case for more funding in social care, but the truth is, as Age UK says, that in this Parliament it will be cut by an average of 7% in real terms. Social care may help the health service, but if money is spent on social care, it is not spent on NHS services, and it cannot be double-counted as NHS funding. When that is taken into account, and when the Secretary of State stops fiddling the figures, we see that the country and the NHS will get a real-terms cut, not a real-terms rise during this Parliament.

Mr Lansley: I have a simple question for the right hon. Gentleman. Is he in favour of the budget that we announced for the NHS, and does he wish to spend more or less?

John Healey: My right hon. Friend the shadow Chancellor said in response to the Chancellor's spending review:

"We support moves to ring-fence the"

NHS

"budget". [*Official Report*, 20 October 2010; Vol. 516, c. 968.]

People saw Labour's big investment in the NHS bring big improvements—50,000 extra doctors, 98,000 more nurses, deaths from cancer and heart disease at an all-time recorded low, the number of patients waiting more than six months for operations in hospital down from more than 250,000 in 1997 to just 28 in February this year, and more than nine in 10 patients rating their experience of hospital care as good, very good or excellent.

Mr John Baron (Basildon and Billericay) (Con): How does the right hon. Gentleman account for the fact that the UK is still floundering in the lower divisions of the international cancer league on survival rates?

John Healey: We still have a lot further to go. There have been big improvements in international comparisons, but we must go further. It beggars belief that the Government have decided not to press ahead with plans to give patients a guarantee of, for example, receiving test results within one week, especially as hon. Members on both sides of the House recognise the importance of early diagnosis for cancer, and the cancer specialist, Mike Richards, said that this contribution to early diagnosis could save 10,000 lives a year.

Instead of building on those great gains, I fear that the NHS will again go backwards under this Tory-led Government. It is already showing signs of strain. The number of patients waiting more than 13 weeks for diagnostic tests has trebled since last year, 27,000 front-line staff jobs are being cut, and two thirds of maternity wards are so short-staffed that the Royal College of Midwives says that mothers and babies cannot be properly cared for.

This is not what people expected when they heard the Prime Minister say that he would protect NHS funding. In fairness, a proper, long-term perspective is needed on NHS financing. Year-on-year funding just below or even 0.1% above inflation is way short of the 4% average increase that the NHS has had over its 60 years. During the last Labour decade, it averaged 7% in real terms.

There are, and have been for many years, built-in pressures on the NHS: the cost of staff, drugs and equipment rises by about 1.5% above general inflation, and the demands of our growing and ageing population adds £1 billion to the bill each year just to deliver the same services.

Sarah Newton (Truro and Falmouth) (Con): It is interesting that the right hon. Gentleman omitted from his list any mention of the escalating costs of administration in the NHS. Does he agree with us that what is really important is to reduce the cost of administration?

John Healey: The hon. Lady is right, and there is plenty of scope to do that. We recognised that, and we had plans to take out many of the managerial costs. I will come to that later, but it is hard to understand how creating three or even four times as many GP consortiums doing the same job as primary care trusts is likely to reduce rather than increase bureaucracy in the NHS. My right hon. Friend the Member for Leigh says that in Wigan there is one PCT, but it is set to have six GP consortiums. The same job will be done six times over in the same area. How is that a cut, or an improvement in the bureaucratic overheads and costs of the NHS?

In the spending review, the NHS is set for the biggest efficiency squeeze ever. On 12 October, the NHS chief executive, David Nicholson, told the Health Committee:

"It is huge. You don't need me to tell you that it has never been done before in the NHS context and we don't think, when you look at health systems across the world, that anyone has quite done it on this scale before."

Money is tight, and something must happen, but that can be done by building on Labour's big improvements in the NHS over the last decade. It will be tough, but I will back the Government, as long as all savings are reused for better front-line services to patients.

Mr Lansley: Before the right hon. Gentleman continues, may I remind him that the "it" that Sir David Nicholson was talking about was the achievement of between £15 billion and £20 billion of efficiency savings, which is a substantial improvement in productivity that is expected over the next four years? That is in complete contrast with a Labour Government who had declining productivity over the whole of the last decade. The efficiency savings

of £15 billion to £20 billion that Sir David was talking about were set out by the last Labour Government in late 2009. We are continuing with that, but we will make it happen, and Labour did not.

John Healey: I have read David Nicholson's transcripts, and he was indeed talking about £15 billion to £20 billion of efficiency savings, which were not achieved, as the Secretary of State said, but planned. That is a big test for the NHS, and it will be more difficult because of his plans for reorganisation, which I will come to.

Andrew George (St Ives) (LD): As I was at the evidence session, I can confirm that Sir David Nicholson was clearly talking about the challenging £15 billion to £20 billion savings, which I would have thought the whole House approved of and agreed should be achieved. But the right hon. Gentleman was right to say that Sir David was also talking about their being achieved in the context of the proposed changes in the White Paper.

John Healey: Of course Sir David was talking about the two together, because the Select Committee was understandably probing both matters. In the quote that I gave, he was talking about the significant efficiency savings required of the health service at this time of an unprecedented financial squeeze. Many would say that that is the toughest financial test in the NHS's history.

Mr Stephen Dorrell (Charnwood) (Con): Will the right hon. Gentleman give way?

John Healey: Of course I will give way to the Chairman of the Health Committee.

Mr Dorrell: The right hon. Gentleman is right to say that Sir David was talking about the £15 billion to £20 billion efficiency challenge, and as my right hon. Friend the Secretary of State said, that programme has its roots in the time of the last Government. Will the right hon. Gentleman confirm that his party still supports the QIPP challenge—quality, improvement, productivity, prevention—that was first articulated when his right hon. Friend the Member for Leigh (Andy Burnham) was Secretary of State?

John Healey: If the right hon. Gentleman reads the official record, he will see I have just said that I will back plans to get the efficiency savings out of the NHS. They are needed and they have to happen, and I will back them as long as all the savings are reused for front-line services to patients.

Faced with the toughest test in its history, the least NHS patients and staff can expect is that the Government keep their funding promise. At this time of all times, the last thing the NHS needs is a big internal reorganisation. The Prime Minister ruled out such a reorganisation before the election, saying:

"With the Conservatives there will be no more of the tiresome, meddlesome, top-down re-structures that have dominated the last decade of the NHS".

The right hon. Gentleman, now the Secretary of State, ruled it out, saying that the NHS

"needs no more top-down reorganisations".

The coalition agreement was clear and reassuring on this point. In it, the Prime Minister and the Deputy Prime Minister pledged:

"We will stop the top-down reorganisations of the NHS that have got in the way of patient care".

That was before the Secretary of State's White Paper plans, which the head of the King's Fund has called

"the biggest organisational upheaval in the health service, probably since its inception".

Promise made in May, broken in July. Promise made by the Prime Minister, broken by the Secretary of State.

There is a story doing the rounds in the media of a journalist being briefed by No. 10, early on the morning of the publication of the White Paper, and told

"there's nothing much new in it."

When did the Secretary of State tell the Prime Minister that he was breaking his promise? When did he tell the Prime Minister that he was not only breaking the Government's promise but forcing the NHS through the biggest reorganisation in its history, with a £3 billion bill attached, at a time when all efforts should be dedicated to achieving sound efficiencies and improving care for patients? This is high cost and high risk; it is untested and unnecessary.

Angela Smith (Penistone and Stocksbridge) (Lab): The Public Accounts Committee has identified that improving integration and co-ordination of services for the 580,000 people who suffer from rheumatoid arthritis would deliver efficiency savings on the annual £560 million bill faced by the NHS each year for this care. The National Rheumatoid Arthritis Society believes, however, that the new commissioning responsibilities outlined in the White Paper

"risk increasing fragmentation in services"

and reducing savings overall. Does my right hon. Friend agree?

John Healey: In a way it does not matter whether I agree; it matters much more that the National Rheumatoid Arthritis Society and many other patients groups are deeply concerned about this.

It is not just patients groups but professional bodies and NHS experts who are worried. Even the GPs are not convinced, and they are meant to be the winners in all this. They are meant to be the ones planning, buying and managing the rest of the NHS's services. A King's Fund survey carried out last month found that fewer than one in four GPs believe that the plans will improve patient care, and only one in five believe that the NHS will be able to maintain the focus on efficiency at the same time.

Nick de Bois (Enfield North) (Con): In my constituency, we have been holding one-to-one dialogues with GPs, particularly about the White Paper, and I can tell the right hon. Gentleman with total confidence that well over 65% of the GPs I have met—it is only 65% because I have not managed to meet all of them—have endorsed the removal of the PCTs, from which they felt remote and disjointed and from which they felt they were getting poor value for money.

John Healey: If two thirds of the GPs the hon. Gentleman met are in favour, one third are obviously not convinced, but they will be forced to do this anyway. That is part of the problem, and I will come to that in a moment.

[John Healey]

It is no wonder that the head of the NHS Confederation, the body that is there for those who run the NHS, told the Health Committee last month that

"there is a very, very significant risk associated with the project".

Even the Secretary of State's right-wing supporters in the Civitas think-tank tell him that he is wrong. They have said:

"The NHS is facing the most difficult…time in its history. Now is not the time for ripping up internal structures yet again on scant evidence".

Mr David Evennett (Bexleyheath and Crayford) (Con): I have been listening to the right hon. Gentleman with great interest. I know his moderate views on many things, but he misrepresented what my hon. Friend the Member for Enfield North (Nick de Bois) said about the numbers of GPs. Now that targets and top-down management—the centrepiece of the last Labour Government's policies—are being discarded even by those on the right hon. Gentleman's own Front Bench, does he not agree that giving significant freedoms to front-line professionals is a better way forward?

John Healey: Yes, of course; we had been doing that for some years before the election and we had plans to do it after the election, but the fact is that we did not win the election, and the Secretary of State is in power now. He is making the decisions and he is the one who is entrusted with the future of our NHS. He is the one who needs to answer to the House for his plans.

The problem with broken promises is worse than I have already suggested. The coalition agreement promised:

"The local PCT will act as a champion for patients and commission those residual services that are best undertaken at a wider level, rather than directly by GPs."

The Secretary of State's plans will do precisely the opposite. He is abolishing the PCTs, not building on the best of what they do.

Barbara Keeley (Worsley and Eccles South) (Lab): There is a great deal of talk about reducing bureaucracy and administration, but PCT staff work on issues such as NHS treatment for people with learning disabilities. Ministers have talked about that role continuing, but will those staff not be really worried about their futures now? They will be looking around, and if they see another job, they are not going to wait two years; they are going to jump now, and the PCTs will lose that expertise. It will drain away and the PCTs will be unable to carry out all those important residual functions.

John Healey: This is precisely why those who understand the health service, including those who run it, say that it is going to be so hard, at a time when the NHS has never faced such a tough financial challenge, to see through the biggest reorganisation in its history at breakneck speed.

Whether on funding, reorganisation or the role of the PCTs, the Secretary of State is doing precisely the opposite of what was set out in the coalition agreement. He is running a rogue Department with a freelance policy franchise, in isolation from his Government colleagues. He claimed on the "Today" programme yesterday that he had been saying all this for four years before the election. So when did he tell people, and when did he tell the Prime Minister, that GPs will be given £80 billion of taxpayers' money—twice the budget of the Ministry of Defence—to spend? When did he tell people that, in place of 150 primary care trusts, there could be up to three times as many GP consortiums doing the same job? When did he tell people that GP consortiums will make decisions in secret and file accounts to the Government only at the end of the year?

When did the Secretary of State tell people, and the Prime Minister, that nurses, hospital consultants, midwives, physiotherapists and other NHS professionals will all be cut out of care commissioning decisions completely? And when did he tell the Prime Minister that hospitals will be allowed to go bust before being broken up, if a buyer can be found for them? When did he tell people that NHS patients will wait longer, while hospitals profit from no limit on their use of NHS beds and NHS staff for private patients? When did he tell people that lowest price will beat best care, because GPs will be forced to use any willing provider? When did he tell people that essential NHS services will be protected only by a competition regulator, similar to those for gas, water and electricity? And when did he say that he was creating a national health service that opens the door for big private health care companies to move in?

Mr Lansley: I am grateful to the right hon. Gentleman, who is generous in giving way. It is never an ideal thing to quote yourself, but let me risk doing so:

"We have been clear about the need for improvement in the NHS: responsive to patient choice; where budgets are in the hands of GPs; where hospitals are set free; where professionals are released from targets and bureaucracy; where the independent sector has a right to supply to the NHS; where competition delivers efficiency; and where patients have the assurance that NHS standards of care are based on the founding principle of the NHS—free at the point of use and not based on the ability to pay."

I said that in a letter to *The Daily Telegraph* on 10 March 2006—four years ago.

John Healey: The real question is why the right hon. Gentleman, if he had these plans, did not tell the Prime Minister and the Deputy Prime Minister when they were writing the coalition agreement what he wanted to do on funding, on reorganisation and on the role of primary care trusts. Why did he allow his Government to make these pledges to the British public in May and then break their promises two months later in the White Paper? Whatever the boss of Tribal health care says about the private health care companies, he described the White Paper as

"the denationalisation of healthcare services".

He went on to say that

"this white paper could result in the biggest transfer of employment out of the public sector since the significant reforms seen in the 1980s."

This is not what people expected when they heard the Prime Minister tell the Conservative conference last month that the NHS would be protected.

Andrew George: It is incontrovertible that the White Paper contradicts the coalition agreement in respect of top-down reorganisation, but I think we would accept the right hon. Gentleman's criticisms of top-down manipulation of local services a great deal more if he were prepared to accept that the previous Government

failed in their attempt to reorganise through independent treatment centres or alternative providers of medical services which were massively expensive and did not necessarily provide better services on the ground. Will the right hon. Gentleman at least acknowledge that the previous Government failed in that regard?

John Healey: The treatment centres, which the hon. Gentleman mentions, helped contribute to bringing waiting times down to 18 weeks and helped to say to the British public, "Whatever treatment you need in hospital, you will not have to wait more than 18 weeks for it." That was a consistent universal promise that we were able to make to patients as a guarantee for the future. That has now been ripped up, and we can see the result as waiting times and waiting lists lengthen. As I said at the start of my speech, my fear is that during this period of Tory leadership, we will see the NHS going backwards.

As for the hon. Member for St Ives (Andrew George), I understand his problem. He is a Liberal Democrat and I have to say that this health policy bears very little of the Liberal Democrat imprint. The one part of the Liberal health manifesto that they managed to get into the coalition agreement was this:

"We will ensure there is a stronger voice for patients locally through... elected individuals on the boards of their local primary care trust".

Within two months, of course, that was not even worth the coalition agreement paper it was written on.

Helen Jones (Warrington North) (Lab): Does my right hon. Friend agree that there is something else that the Government are not telling us—namely, the huge cost of getting rid of primary care trusts and strategic health authorities in respect of redundancy and getting out of broken contracts? Does he, like me, speculate that many of the people affected will end up working for GP consortiums or private health care firms—a huge cost to the public purse that delivers not one iota of front-line care?

John Healey: Quite so. Estimates of the cost of the reorganisation are up to £3 billion, but we have not had any cost announcements from this Government, who will not tell us how much is going to be spent on reorganisation rather than on patient care. At a time when finances are tight, this is precisely the wrong prescription for the NHS over the next few years.

It is no wonder that GPs have grave doubts—they trained as family doctors, not as accountants or procurement managers, and they are committed to treating patients, not doing deals over contracts. However, they will be forced to commission services, whether they like it or not; they will make rationing decisions, not just referral decisions for their patients; and they will have to take on the deficits or inbuilt funding shortfalls in their PCT areas. GPs spend an average of eight or nine minutes with each patient. If they plan, negotiate, manage and monitor commissioning contracts in future, they will have no time left to see patients. If they continue to be family doctors, commissioning will be done for them, not by them; it will be done in their name by many of the same PCT managers who presently do the job or by commercial companies that have already started hard-selling their services to GPs. The other day I picked up "The Essential Guide to GP Commissioning" helpfully published by United Health—one of the biggest US-based health care companies in the world.

Dr Sarah Wollaston (Totnes) (Con): Does the right hon. Gentleman realise that not all GPs will have to be involved with commissioning? Does he welcome the efforts of the Royal College of General Practitioners to introduce real clinical leadership and tuition for those GPs interested in taking up commissioning, helping them to provide this service?

John Healey: It is a very good thing that the Royal College of General Practitioners is trying to bring the skills of many GPs up to speed because this is a big job for which GPs are not trained and not equipped, and which many do not want to do.

David Tredinnick (Bosworth) (Con): Does the right hon. Gentleman recall that we had GP fundholders during the previous Conservative Government, and the doctors managed the budgets all right and increased choice for patients?

John Healey: The GP fundholding experiment took place in a completely different context—within an NHS that still had an area-based plan and still had bodies accountable through the Secretary of State to Parliament. In the end, however, it did not work and we stopped it.

Andrew Percy (Brigg and Goole) (Con): Will the right hon. Gentleman accept that there is some kind of ideological disagreement going on in his own mind, given that the last Labour Government did exactly the same thing to head teachers by bringing alternative providers into schools and giving them control over budgets and what services to deliver? Our proposals for GPs are exactly the same—aiming to put in charge the professionals who deliver services and have contact with the people who use them.

John Healey: I thought the hon. Gentleman was in his place at the start of the debate. In that case, he will have heard me say that one reason for having an Opposition day debate on both health and education is that we see many of the same ideological fingerprints over the plans for education and for health. These are Tory ideological fingerprints, and I hope that this will become clearer as the debate progresses.

Let us make no mistake: if these changes go ahead, patients will rightly question whether GPs' decisions are about the best treatment for them or about the best interest of the GP budget and consortium business. The public will find "commercial in confidence" stamped over many of the most important decisions taken about our NHS services. Members of Parliament wanting to hold Ministers to account in future when hospitals go bust, there are no contracted services for constituents or there is a serious failure in the system will be told, "It's nothing to do with me".

Dr John Pugh (Southport) (LD): Was the right hon. Gentleman perfectly happy about the situation under the last Government? When anyone complained in this Chamber about anything happening in their local health economy, they were told rather piously by a Minister that it was a matter for local decision making by a quango that was completely unelected and beyond their control. In what sense were the PCTs in any sense accountable?

John Healey: Part of the problem is that there is so little detail in the White Paper that we simply cannot see how the bodies taking big decisions about taxpayers' money will be accountable to the public. I lost count of the number of times during the last Government when Health Ministers came to this House and to Westminster Hall and had meetings with Members in order to respond to and sort out the problems that their constituents were experiencing with NHS services.

What the Secretary of State says he wants from the White Paper plan is to put patients first, to improve health care outcomes, to cut bureaucracy and to improve efficiency. These are "motherhood and apple pie" aims. We can support his aims, but we cannot support the action he is taking or the breakneck speed with which he is forcing these changes on the NHS. He wants shadow GP consortiums to be in place by April, and he will remove primary care trusts entirely two years after that. What he is doing is rushed and reckless. Almost every respondent to the White Paper has warned of the risks and said, "Slow down."

Rosie Cooper (West Lancashire) (Lab): Is my right hon. Friend aware that yesterday the Health Committee was told by health service organisations that some London PCTs would close by March 2011? Is anything happening in that regard? We know that there was a suggestion that PCTs would close in 2012, but we heard for the first time yesterday that they might close in 2011.

John Healey: I am very concerned if those plans are being speeded up rather than slowed down, because that would be entirely contrary to the view that has been consistently expressed by patients groups, experts in the NHS and professional bodies in response to the consultation on the White Paper. "Too far, too fast," says the King's Fund. According to the NHS Confederation:

> "It will be exceptionally difficult to deliver major structural change and make £20 billion of efficiency savings at the same time."

The Alzheimer's Society says:

> "The pace of structural change has the potential to undermine the progress made in services for people with dementia and their families, unless handled carefully".

Almost every other group representing patients says the same. Even the chief executive of the NHS has written to the Secretary of State saying:

> "Implementing the White Paper will require us to strike the right balance between developing early momentum for change and allowing enough time to properly test the new arrangements. Getting this balance right will be critical to maintaining quality and safety".

Mr Steve Brine (Winchester) (Con): I know that the right hon. Gentleman does not have a policy of his own, but the motion seems to be saying, "It's all become a bit difficult, so let's just put it off." Until when exactly does he propose to put these changes off? Will they be made in the current Parliament, in the next Parliament, or 10 years down the line?

John Healey: The hon. Gentleman is new to the House, but he and his party are in government now. One of the frustrations for me and for other Labour Members is that his party is making the decisions, and is responsible for the future of the health service. Our plans would be different, but this is what the Government are planning.

The Secretary of State has received the responses that I have quoted. He has been advised to listen, to slow down, and not to risk the future of the NHS in his consultation. However, he is not listening. I hope that the Prime Minister is listening, for the sake of the NHS, its patients and staff, and for the sake of us all.

Here is a "thought for the day" for the Prime Minister. The Tories worked hard to be trusted by the public with the NHS before the election. The Government's reckless big-bang reorganisation at a time of tough financial pressures in the NHS will wreck their reputation, but that is the Prime Minister's problem. My problem is that he is set to wreck the great NHS gains made for patients over the last decade, and to wreck the founding principle of our NHS: that it should be available equally to all, free at the point of need, and properly funded through general taxation. We on the Labour side of the House will not allow him to do that.

I commend the motion to the House.

Several hon. Members *rose—*

Madam Deputy Speaker (Dawn Primarolo): Order. Some 15 Members are seeking to participate in the debate. Mr Speaker has therefore decided that there will be a seven-minute time limit on speeches after the Secretary of State has spoken. I remind Members that they do not have to speak for as long as seven minutes; seven minutes is the maximum. If they bear that in mind and are considerate to other Members, it may be possible for everyone to contribute.

1.54 pm

The Secretary of State for Health (Mr Andrew Lansley): I will ask the House to reject the motion.

As I listened to the speech of the right hon. Member for Wentworth and Dearne (John Healey) I was very disappointed, because it seemed to be all about primary care trusts rather than about patients, all about managers rather than about doctors and nurses, and all about processes rather than about outcomes. It was completely the opposite of what the White Paper sets out to do, which is to give patients control of health care and allow more shared decision making for patients.

The White Paper is all about focusing on improving health care outcomes, and about empowering the doctors and nurses who work in the health service and recognising the contribution that they make. I am really disappointed that the Opposition motion does not recognise fully, as it should, the role that should be played by patients and staff in the NHS. I advise the right hon. Gentleman, when he tables motions such as this, always to think more about the staff of the NHS and the patients whom they look after, and less about the managers and the processes.

I will give way to the right hon. Gentleman if he wishes, but let me tell him this. Fighting a campaign called "Save the primary care trusts" will cut no ice with the people of this country. Fighting a campaign to save our NHS is what we did in the last Parliament; we did it successfully, and now that we are in government, saving the NHS is exactly what we are going to do.

John Healey: If the Secretary of State—who, I concede, has a six-and-a-half-year head start on me in this job—really cared about NHS patients, really cared about NHS staff and really cared about NHS services, he would not be putting the NHS through the biggest reorganisation in its history, especially at this time. As I said earlier, it is patients groups and bodies representing NHS staff who are saying, "Slow down—think again." I urge the Secretary of State to do that today, and to rethink.

Mr Lansley: The right hon. Gentleman has just taken to heart the old saying that the job of the Opposition is to oppose. That is all he is doing: he is simply opposing. Nothing in his motion states positively what should be done, whether that is supporting NHS staff or listening to patients and giving them the shared decision making opportunity that is so essential. While opposing the reforms that we in the coalition Government are introducing, he seems to have ignored the simple fact that those reforms, in truth, represent the coherent consistent working out, in practice, of policies that were initiated, but never properly implemented, by the Government of whom he was a member. They are not revolutionary, as he has called them.

Andrew George: As the right hon. Member for Wentworth and Dearne (John Healey) said earlier, the seventh point in the coalition agreement begins with the words:

"We will ensure that there is a stronger voice for patients locally through directly elected individuals on the boards of their local primary care trust…The remainder of the PCT's board will be appointed by the relevant local authority or authorities".

Was the Secretary of State consulted before those words were included in the agreement? If he was, what changed his mind between the drawing up of the agreement and the White Paper?

Mr Lansley: The answer to the first question is yes. The answer to the second question is that we in the coalition Government collectively took the sensible view that form must follow function. If we arrived at a point at which people were being elected to primary care trusts which themselves no longer had a substantive role to play, because public health was rightly being transferred to local authorities—

Liz Kendall (Leicester West) (Lab): Did you know that at the time?

Mr Lansley: We did know that at the time. *[Interruption.]* I will not engage in a conversation with the hon. Lady when she is intervening from a sedentary position. I am replying to my hon. Friend the Member for St Ives (Andrew George).

If we arrived at that point—a point at which GP-led commissioning consortiums were rightly leading on the commissioning of health care services—we would then find ourselves suggesting the election of people to a body that did not exercise any substantive responsibilities.

We therefore made a collective decision not to implement the policy in that way. The principle that we were pursuing was the strengthening of local democratic legitimacy in relation to health care—and, for that matter, social care—and that is exactly what we are going to do. We are going to do it through the health and well-being boards, and through the local authorities that are directly responsible for the provision of health improvement plans in their areas, engaging directly with local GP consortiums in the strategic commissioning functions and increasingly integrating health and social care.

Let me return to the point that I was making to the right hon. Member for Wentworth and Dearne. He ought to recognise, but does not seem to understand, that when I was announcing our intentions in 2006, the Government of whom he was a member were saying that these were the reforms that they wished to pursue. Tony Blair made a speech in June 2006 in which he said that NHS reform should be based on patient choice, independent sector providers, general practice-led commissioning and foundation trusts, yet the right hon. Gentleman's motion today has left all that out. All those things that the Labour Government once supported, he, in opposition, now opposes.

The right hon. Gentleman's motion is notable for what it has left out: it has left out the call for patient information and choice; it has left out any reference to the need for improving health outcomes; and it has left out a recognition, which the House should always reiterate, of the commitment of health and social care staff to the patients they care for. Particularly tellingly, it has also left out any indication of whether Labour supports or opposes our health service spending plans.

The right hon. Member for Leigh (Andy Burnham) has left the Chamber, but before the spending review he said to us, "Don't protect the NHS budget; cut the NHS budget and transfer it to social care." We did not do that; we did not do what the Labour party suggested. Instead, we have both protected the NHS budget and supported social care.

Before the election, the Labour Administration said, "Cut NHS capital budgets by 50%," but the real-terms reduction in NHS capital budgets will be just 17%. They said, "Protect the primary care trust budgets but cut central budgets; cut research and development in the NHS; cut education and training," but we are not doing that. We are protecting the resource funding for the NHS, and it will increase in real terms.

Several hon. Members *rose—*

Mr Lansley: I will give way to the hon. Member for Worsley and Eccles South (Barbara Keeley) first, and then to my hon. Friend the Member for Bexleyheath and Crayford (Mr Evennett).

Barbara Keeley: The Secretary of State talks about protecting social care, but he must be aware that at the same time cuts of 28% are being made to local council budgets, of which social services and social care account for the largest component. Even before the comprehensive spending review, six or seven councils were already saying their situation was moving from moderate to substantial, and for one council that has now risen from substantial to critical—and that is before the Government implement their cuts of 28%. There is no such protection in place, therefore. Instead, this radical NHS reorganisation is happening at the same time as those huge council budget cuts, and next year will be terrible. My right hon. Friend the Member for Leigh (Andy Burnham) was right to protect social care, as well as in the other things that he did with the NHS.

Mr Lansley: The hon. Lady is simply completely wrong. Local government budgets are not being cut by the figure she cites. The formula grant from central Government is having to be cut because of the debt we inherited from Labour, although she, like the rest of her party, is in denial about that, but that does not mean a cut—

Barbara Keeley: Will the Secretary of State give way?

Mr Lansley: No; I am addressing the point that the hon. Lady made. That cut in formula grant does not mean a corresponding cut in council tax, so that revenue is available to local authorities. In addition, the NHS is going to support social care activity in the ways I have described, such as through telehealth, re-ablement and equipment adaptations. We are transferring the learning disability transfer grant and other adult social care grants collectively representing £2.7 billion a year from the NHS to local authority funding, without reductions in those grants. I am afraid the hon. Lady is just simply wrong, therefore.

Mr Evennett: I congratulate my right hon. Friend on his determination to improve our national health service, and on the initiatives that he is proposing. However, does he agree that in enabling the NHS and social care services to work more closely together, it is vital to have integrated cost-effective services, and make sure that the patients get the best out of the system?

Mr Lansley: My hon. Friend is absolutely right. The Minister of State, Department of Health, my hon. Friend the Member for Sutton and Cheam (Paul Burstow), and I are very impressed that the local NHS and local authorities are, sometimes for the first time, sitting down together and discussing how they can use their resources. Even this year we managed to save £70 million from the budget that we inherited from the Labour party. That money can be invested in re-ablement, and in bringing local authorities and the NHS together to improve the service to people who are going home.

Chris Bryant (Rhondda) (Lab): Will the Secretary of State give way?

Mr Lansley: I want to make a little progress first.

The Opposition motion reveals that they have no alternative vision. The Labour party today is empty of ideas, confused and incoherent. It did not have anything to offer the country at the general election, and it has nothing to offer today. I will deal with each of the points made by the right hon. Member for Wentworth and Dearne, but first I want to say something about what we are doing through the White Paper, and why we are doing it.

We should be proud of the fundamental values of the NHS: that it is free at the point of use, and that it is based on need and not on the ability to pay. Nothing that we do will ever undermine those principles; that is the coalition Government's commitment. However, our pride in these values is no excuse for complacency. The demands facing the NHS over the coming decades are many: an increasing and ageing population; continued advances in medicine and technology; and rising expectations on the part of patients and the public. That is why, as we maintain equity in access to services, we will also pursue excellence in health care. We will do so because despite the great improvements in the NHS in the past—such as in cardiac surgery and cardiology, and, more recently, in stroke care and many cancer services—we have much more still to do.

Outcomes for patients in this country are too often poor in comparison with outcomes in other countries: someone in this country is twice as likely to die from a heart attack as someone in France; survival rates for cervical, colorectal and breast cancers in this country are among the worst in the OECD; and premature mortality rates from respiratory disease are worse than the EU-15 average. Simply putting more money into the system has not worked, which is why reform is needed.

Chris Bryant: I am grateful to the Secretary of State for giving way. He has argued the need for greater localism and for local health services to be more accountable to local people. However, pulmonary hypertension is one condition in which significant advances have been made in recent years. It affects a number of my constituents but it is a rare condition, and has to be managed not locally but on a country-wide—indeed, often a Wales and England and Scotland-wide—basis. How can the Secretary of State make sure that, with the pressure towards local services, proper account is also taken of conditions on which action can be delivered only on a national basis?

Mr Lansley: For England, the White Paper sets out very clearly that specialised commissioning, whether currently regional or national, will be undertaken through the NHS commissioning board, rather than by individual commissioning consortiums.

The point about the reform process is that if we change nothing, nothing will change. The Labour party is the party of no change: it is the party of stasis, inertia and inactivity. Labour says, "Do nothing, put the reforms on hold"—whatever that means. Our aim is a simple one. We cannot stand still. If we carry on as we are, resources will, as over the last decade, be consumed without delivering the improved outcomes for patients that are so essential. Delivering improved outcomes for patients is our objective, and the White Paper gives us a clear and consistent vision for achieving that, based on three guiding principles.

Frank Dobson (Holborn and St Pancras) (Lab): Will the right hon. Gentleman give way?

Margot James (Stourbridge) (Con): Will my right hon. Friend give way?

Mr Lansley: Of course. I will give way first to my hon. Friend.

Margot James: The Secretary of State was discussing the disappointing cancer survival rates. A National Cancer Intelligence Network survey was conducted earlier this week, and I was shocked to learn that it found that one in four cancers were diagnosed only when a patient was rushed to hospital experiencing symptoms. Does the Secretary of State think ring-fencing the public health budget and co-ordinating it better with local authorities will enable us to make a swifter impact in respect of the preventive aspects of cancer management, in order to reduce that figure?

Mr Lansley: Yes, I feel that it should. When the NHS last came under financial pressure in 2005-06, public health budgets were cut and public health staff were lost, but we are determined to address the worrying situation that my hon. Friend described. That is why we are committed to the implementation of a cancer signs and symptoms campaign. It will be launched in the new year, and its purpose is precisely to ensure that we tackle the lack of awareness of cancer symptoms, so that people will present to their GP earlier and we can bring them to diagnosis sooner.

Several hon. Members *rose—*

Mr Lansley: I said I would give way to the right hon. Member for Holborn and St Pancras (Frank Dobson), if he still wishes to intervene.

Frank Dobson: The right hon. Gentleman said that he wanted to improve treatment. How does he think the treatment of sick children at Great Ormond Street hospital will be improved if it has to do without the £16 million that his Government are currently threatening to take away?

Mr Lansley: I explained to the right hon. Gentleman at Health questions just a fortnight ago that we are in discussions with the specialist children's hospitals. They are very clear that they are engaging constructively with the Department, with the intention that the payments through the tariff should accurately reflect the costs incurred in providing specialist services. That is the current situation, and no decision has yet been made.

I was talking about the principles of the White Paper.

John Healey: Will the Secretary of State give way?

Mr Lansley: In a moment; the right hon. Gentleman must allow me to make some progress.

I was talking about the principles of the White Paper. They are very clear. First, patients should be at the heart of the new national service, with a simple principle of "No decision about me without me" transforming the relationship between citizen and service.

Secondly, we will focus on outcomes, not processes. We will focus on outcomes that capture the entirety of patient care, and quality standards and indicators that genuinely reflect what a high-quality service should actually deliver. We will orientate the NHS towards focusing on what really matters to patients, not narrow processes. Thirdly, we will empower clinicians, freeing them from bureaucracy and centralised top-down controls, so that change is genuinely driven from the grass roots, rather than driven, top-down, from above.

The right hon. Gentleman's speech did not appear to recognise that central principle at all when he talked about people in the NHS Confederation and the managers who run the NHS. Clinicians are already the people who actually do the commissioning: general practitioners make the referrals and write the prescriptions, and consultants in hospitals make referrals from one consultant to another. In effect, cost and commissioning in the NHS is already controlled by clinicians, but they are divorced from the processes of combining the management of patient care with the management of resources. Whether in this country or in others around the world, it is perfectly clear that that divide is what breaks health care systems. What makes health care systems more effective is bringing together the management of patient care with the management of commissioning and resources on behalf of patients.

John Healey: I wanted to intervene to discuss what my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson) said about Great Ormond Street hospital. I have the official record of what was said at Health questions, to which the Secretary of State referred. He said that the proposal would have

"the overall effect of reducing Great Ormond Street's total income by less than 2%."—[*Official Report*, 2 November 2010; Vol. 517, c. 754.]

How does he reconcile that with the trust's figures, which say that the reduction will not be less than 2%, but will be more than 5.5%? Would he like, therefore, to correct the official record now? Will he also publish the figures so that this House and Members who represent these areas can make up their own minds about whether those big stealth cuts to the hospitals that treat many of our most critically ill kids are a good idea?

Mr Lansley: No, I will not do those things, because what I said was accurate. The specialist children's hospitals and ourselves are engaged in a constructive process of discussion about the future of the tariff for those hospitals and the top-up. Until a proposal is made there is no purpose in informing the House. We will inform the House as soon as we are in a position to say what the tariff for next year looks like.

Mr Baron: I totally commend the Government for their focus on cancer reform and improving outcomes. I accept that this is in the melting pot at the moment, but does my right hon. Friend agree that it is important that the one-year and five-year cancer survival rate figures are presented not as a league table but as a performance table, to ensure that all primary care trusts and GP consortiums are tasked with improving performance, irrespective of how they compare with others?

Mr Lansley: Yes, my hon. Friend makes a good point. What we are looking for is not a league table at all, as health care should not be regarded in that way; we are looking for proper benchmarking to take place. We are going to benchmark this country's performance against that of the best health care systems around the world—the Labour party never did that—and we are going to ensure that there is a culture of continuous improvement in the NHS in respect of both the one-year and the five-year cancer survival rates, which my hon. Friend rightly mentioned.

The reforms that I was talking about are not a radical departure from the past. The principles of the White Paper should be what the NHS has always been about, but it has been distracted too often by the bureaucratic processes that the Labour party was always supporting. Let me make it clear that many of the things that we are doing were championed by former Labour Ministers. When John Reid was Health Secretary he championed patient choice, and we know why. His view was, rightly, that in the NHS, in a bureaucratic system, the articulate middle classes get access to the best health care, and it is only through institutionalising and embedding patient

[Mr Lansley]

choice—shared decision making for every patient—that we will ensure that the most disadvantaged in society get the right access to health care.

As for GP-led commissioning, the Labour party was supposed to have introduced practice-based commissioning.

Rosie Cooper *rose—*

Mr Lansley: I am not giving way, so the hon. Lady must sit down. *[Interruption.]*

Madam Deputy Speaker: Order. The Secretary of State is indicating that he is not giving way, and that is his choice.

Mr Lansley: Not only is it my choice, but it is a necessity. As you said earlier, Madam Deputy Speaker, 15 Members wish to speak in the debate, and they will be allowed only seven minutes. I shall therefore take less time than the shadow Secretary of State did.

The Labour Administration pursued practice-based commissioning. Labour Members now make up numbers about how many GP-led commissioning consortiums there will be, but under practice-based commissioning there are 909 practice-based commissioning consortiums. The Labour Government did not give them any power, but they established them and they all have costs associated with them; there are 152 primary care trusts. Bureaucracy and cost in the system is legion, and we have to take it out; we have to reduce the number of people.

Under the Labour Administration the number of managers and senior managers in the NHS doubled. Where was the corresponding improvement in outcomes? The number of nurses increased by only 27%. That shows the kind of distorted priorities that were at the heart of the previous Government. They said that all NHS trusts should be foundation trusts by December 2008, but they simply did not bring that about; we are going to make it happen. They set up the idea of a right to request for staff in PCTs in provider services to become social enterprises, but we are the ones who are now bringing that about. Yesterday, I was able to announce 32 more social enterprises in the NHS, where staff are taking responsibility and ownership of the service that they provide, representing 15,000 additional staff and more than £500 million of revenue. If the Labour party is now against all the reforms that used to be part of the process of delivering greater empowerment of staff and patients in the NHS, what is it in favour of? I simply cannot find out the answer to that question any more.

What does represent a radical departure from the past is the fact that we are pressing ahead with the reforms with purpose and pace. I make no apology for the fact that we are going to achieve the changes required in the NHS more rapidly than anything that the Labour party did in the past—because not to do so would prejudice the opportunity to deliver resources to the front line, choice for patients and clinical responsibility for leaders across the NHS.

Mr Kevin Barron (Rother Valley) (Lab): On at least two occasions in the House since the general election, the right hon. Gentleman has cited the Health Committee report on commissioning that was published in March, and used my name, as that Committee's then Chair, to suggest that the report supports his changes in commissioning in the White Paper. Will he confirm that it does not do that? Where is the evidence that the change in commissioning will save any money?

Mr Lansley: What is very clear from the Health Committee's report before the election is that, as the right hon. Gentleman knows, it criticised in strong terms the weaknesses of PCT commissioning, and that position has only been reinforced since then. One such example is out-of-hours services, for which PCTs were supposed to be the commissioners but did not properly scrutinise the services being tendered, and did not monitor the contracts or the quality of the contracts. PCTs have too often been responsible for simple cost and volume commissioning. What we are concerned with, because we shall engage clinical leadership in the commissioning of services through the NHS, is being engaged in commissioning for quality. Patients will be able to exercise choice based on real information that tells them about the quality of the services being provided, not the cost and volume—

Mr Barron *rose—*

Mr Lansley: I have already given way to the right hon. Gentleman, and I am now going to conclude rapidly.

Contrary to what the right hon. Member for Wentworth and Dearne said, we have heard organisations from right across the NHS supporting the principles of the White Paper. The British Medical Association says that it

"strongly supports greater clinical involvement in the design and management"

of the health service.

The Royal College of Nursing said:

"The principles on which the proposed reforms are based—placing patients at the heart of the NHS, focusing on clinical outcomes and empowering health professionals—are both welcome and supported by the RCN."

The King's Fund said that it

"strongly supports the aims of the White Paper".

The National Association of Primary Care described the White Paper as

"a unique opportunity to raise the bar in the commissioning and delivery of care for patients."

The chairman of the NHS Alliance said that it provides

"a unique opportunity for frontline GPs... to make a real difference to the health of their patients"

The Foundation Trust Network said:

"the vision for the NHS articulated in the White Paper is the right one—putting patients and carers at the centre".

The right hon. Member for Wentworth and Dearne made a number of specific points. He said that the reforms were an ideological gamble. Well, if they are, they are based on an ideology once shared by the Labour party; and if there is an ideology, it is the belief that patients and clinicians in the health service know best. That is not a gamble at all; it is a certainty.

The right hon. Gentleman talked about reorganisation, but he did not say that the number of managers in primary care trusts rose all the way through to last year in the face of the impending crisis in finances over which the Labour Government presided. He did not tell

us that last year primary care trusts spent £261 million on consultancy—an 80% increase in such expenditure in two years.

The right hon. Gentleman gave us the benefit of some of his figures—some of his dodgy numbers—so let me give him a real number. Our decisions to cut the cost of management and administration in the NHS will release £1.9 billion of savings a year by 2014-15. That money will be reinvested directly to support front-line care, so there will be not only a real increase in the resources available to the NHS, but a real change and increase in the resources that get to the front line, because we are cutting the costs of administration and back offices.

Let me make this clear—

Mr David Lammy (Tottenham) (Lab): Will the right hon. Gentleman give way?

Mr Lansley: No.

Against all the advice from the Opposition, we protected the NHS budget in the spending review. It was a brave decision for a Government to take in such circumstances, but it underlined our commitment as a coalition to the NHS. It was a decision that went contrary to the advice and recommendations of the Opposition. For the right hon. Member for Wentworth and Dearne to try to attack the Government over "cuts"—he used that word—in the present circumstances is pure opportunism.

The right hon. Gentleman will not say whether he backs our NHS budget. He talked about what the shadow Chancellor is supposed to have said, but it was the shadow Chancellor who specifically said that he did not support our proposals to increase the NHS budget. Does the right hon. Member for Wentworth and Dearne support our cancer drugs fund or not? He did not say. Does he back our integration of health and social care and the resources that we will use through the NHS to support social care and local authorities? He has not said.

The right hon. Gentleman has not said whether the Opposition oppose or support our commitment to the NHS. How could he? The Leader of the Opposition said before the spending review that he would publish his alternative proposals, but he never did so. The Opposition were promised it, but it did not happen. Without a plan for the economy and for public services, the right hon. Member for Wentworth and Dearne can say nothing about the NHS.

Our commitment to the NHS is clear. We have made tough choices on public spending so that we can protect the NHS and ensure that the sick do not pay for Labour's debt crisis—

Frank Dobson: Will the right hon. Gentleman give way?

Mr Lansley: I gave way to the right hon. Gentleman before.

The big gamble is not pressing ahead with reform; the gamble now would be to carry on as the last Government did, failing to implement the reforms that are necessary and desirable—and supported—across the service. The spending review and the White Paper give the health service a clear, practical, evidence-based framework for sustained improvement in the future. We will not go back to the days of top-down Whitehall micromanagement and bureaucracy. We will free the NHS to improve outcomes for all patients and to meet our vision of ensuring that health outcomes for the people of this country are among the best in the world. I urge the House to reject the Labour party's motion.

2.23 pm

Paul Blomfield (Sheffield Central) (Lab): I want to focus on one specific part of the Government's plans, which has already been mentioned by a couple of my hon. Friends and by the former Secretary of State for Health, my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson). It is the funding of our children's hospitals.

I am fortunate enough to have at the heart of my constituency Sheffield children's hospital, which is a centre of excellence for the region and for the country. It offers pioneering services in trauma and orthopaedics, it is a regional centre for the whole of the north of England for burns injuries and the principal treatment centre for South Yorkshire for childhood cancers, and its metabolic bone service is accessed from across the UK. It does a superb job treating some of our most critically ill children and I want to use one example to bring to light the importance of its work.

A young girl was left unconscious on the streets of Derbyshire with devastating brain injuries after being hit by a car. She was 13 years old. She was transferred to the hospital's intensive care unit, where a scan revealed the full extent of her head injuries. She was seen to have diffuse axonal injury, one of the most devastating types of traumatic brain injury and, as the Secretary of State will know, a major cause of long-term unconsciousness. She was moved to the children's hospital's neurosciences unit, which has specialist equipment to support her rehabilitation and expert consultant neurosurgeons—these are crucial points. Her mother said:

"The doctors and nurses were wonderful and really did go above the call of duty to provide the very best care and treatment. The ward manager was like a second mum to her. The team cared for her like a member of their own family. She is now back at home, relearning simple things such as walking and talking. There is a long road ahead, but if it was not for the Children's Hospital she wouldn't be here."

Such cases involve staff from many disciplines and services to ensure that the patient makes the best recovery possible. Neurosciences are one of the trust's flagship services, treating children who have suffered brain injuries or who have other brain conditions, spinal cord conditions, diseases such as meningitis or conditions such as epilepsy. The intensive care unit is part of the hospital's state-of-the-art critical care facility for children and is situated alongside high-dependency and neonatal surgical units, meaning that all the critical care services are in close proximity.

Such services come at a cost, however, and I have always understood that that is why we have had a top-up tariff to pay for the extra staff and the additional support needed to provide that specialist care to very young patients. We now understand that the Government plan—they might be in discussions, but we understand that this is the plan—to cut the tariff to less than a third of its current value.

Lyn Brown (West Ham) (Lab): Does my hon. Friend agree that that puts a whole new slant on the saying, "Women and children first"?

Paul Blomfield: I certainly would. To cut the tariff from 78 to 25% is the most outrageous proposal on health care to have come from this Government.

When questioned on this issue—this is extraordinary—a spokeswoman from the Department of Health said, very casually,

"less than 10 hospitals are likely to be affected significantly by these changes and the tariff is not their only source of income."

We are talking about 10 of the leading hospitals that care for our children. Let us be clear: the Sheffield Children's NHS Foundation Trust has estimated that the change could cut its budget by as much as £4.9 million. That is a reduction of almost 10% in its total funding. It has said that that

"would have a serious impact on the hospital finances and ability to deliver some services."

Gordon Birtwistle (Burnley) (LD): I am very pleased that the hon. Gentleman has an excellent hospital in his constituency. Will he advise me why the Labour party set in train the closure of Burnley's children's ward when it was in power, leaving an area of Burnley, Pendle and Rossendale and more than 250,000 people without a children's ward, never mind a children's hospital?

Paul Blomfield: I can certainly talk at length about the enormous investment that we made in our hospitals and health services and about the tremendous difference that that made to patients and to reducing the waiting lists that we inherited in 1997. However, I want to make the point about the impact on Sheffield children's hospital. As the hospital said, the change will have a serious impact on its ability to deliver services that provide critical interventions for those whom we should be protecting most—our children. If the Government are prepared to attack these budgets in such a way, what will the commitment to guarantee health spending increases in real terms in each year of this Parliament be other than another broken promise?

2.29 pm

Mr Stephen Dorrell (Charnwood) (Con): In the brief time available, I do not want to follow the hon. Member for Sheffield Central (Paul Blomfield) in a detailed discussion of children's hospitals, but I congratulate him on the first part of his speech, because he reminded us of what we are here to talk about—the delivery of high-quality care to patients, often in circumstances of extreme distress to them and their families.

I welcome the fact that the debate is taking place, but it is important for us not to imply that there is a choice to be made by politicians in 2010 about whether the health service faces the need for fundamental reform. The truth is that the health service, by which I mean the pattern of delivery of health care to patients, needs fundamental reform, as has been acknowledged since at least 2009. The shadow Secretary of State was good enough to confirm in his contribution that he recognises the need for that fundamental reform, which was set out by Sir David Nicholson in the £15 billion to £20 billion efficiency challenge. The purpose of the Nicholson challenge is to reconcile continuing rises in demand for health care, which we must assume will continue their long-term trends, with the inevitable fact that health budgets are more constrained, and will be more constrained in the years ahead, than during the period of the Labour Government. That was recognised before the general election, which is why the Nicholson challenge was articulated.

Diana Johnson (Kingston upon Hull North) (Lab): But does the right hon. Gentleman agree that instead of taking such a big gamble with the NHS at this stage, it would be better to pilot some of the initiatives and changes to see whether they actually deliver better health outcomes?

Mr Dorrell: I shall come to the White Paper later, but I want to focus on what I regard as the key, unavoidable reforms that have to be delivered during this Parliament. I do not think the hon. Lady will find them controversial. They are the continued development of improvements in the delivery of primary care; the priority need to address unnecessary admissions to hospital, which have been identified by the National Audit Office as running at 30% of non-emergency hospital admissions; the need to address the requirement the health service faces to use its most expensive resource, clinicians' time, more effectively; the need to improve links between social care and health-care, because if they do not work effectively there is no way we can deliver the aspirations we all share for high quality care delivered by the national health service; and the need to deliver better patient, user and local community involvement in the design and delivery of health care.

All those things are the challenges the health service faces over the lifetime of this Parliament. They are not a matter of political choice; they were articulated by Sir David Nicholson during the previous Government. They were endorsed by the previous Secretary of State and this afternoon they have been endorsed again by the shadow Secretary of State. It is simplest to summarise them by describing them in total as the need to deliver a 4% efficiency gain through the entire national health service system for four years running.

A few weeks ago, when Sir David Nicholson was before the Health Committee, which I have the privilege to chair, we asked him to set that challenge in context and he described it—as the shadow Secretary of State was right to say—as the most substantial challenge not just anywhere in the public service, but anywhere in the economy. The challenge has no precedent in any advanced health care system in the world. The challenge is huge: a 4% efficiency gain throughout the NHS, four years running. We are looking to deliver a wholly unprecedented efficiency gain. Against that background, what is the importance of the White Paper?

I ask the House to consider for a moment the counterfactual. Is it possible to deliver that kind of efficiency gain in the health service without effective empowered commissioning driving change? If effective empowered commissioners will not do it, who on earth will? Secondly, is it possible to imagine effective empowered commissioning that does not engage the clinical community in the process more effectively than we have yet done?

Simon Danczuk (Rochdale) (Lab): If there is a requirement for more clinical involvement—for GPs to be more involved in commissioning—why do the Government not simply put GPs on the boards of primary care trusts? That would be a simpler, easier solution and would not cost as much. Is it not the case that the Government would rather open up commissioning to the private sector? Is that not the reality of their proposals?

Mr Dorrell: I cannot summarise the Government's proposals in the White Paper in three minutes, but one of their key drivers is to deliver far greater clinical engagement in the commissioning process than was achieved in the lifetime of the previous Government, in my time as Secretary of State or at any time in the 20-year history of health service commissioning. We want to achieve a step change in the engagement of the clinical community in the commissioning process. As long as commissioning is something that is done to clinicians by managers, it will fail. It has to engage the clinical community on both sides of the argument. That, as I understand the Secretary of State's White Paper, is one of his core objectives, and if it is, it has my full-hearted support.

Grahame M. Morris (Easington) (Lab): In advancing that idea, does the right hon. Gentleman accept that the power to commission is being given to clinicians only in primary care, and that clinicians who work in a hospital setting are not being empowered or involved in the commissioning process at all?

Mr Dorrell: The hon. Gentleman is a fellow member of the Select Committee and I know from our discussions that the principle of clinical engagement in commissioning is broadly supported in the Committee. It is fair to say that none of us would support the view—I suspect the Secretary of State would not either—that clinical engagement means only GP engagement. We should see the GP as the catalyst for broader clinical engagement in the commissioning process if we are to deliver our objectives.

To deliver the Nicholson challenge, we must have strong commissioning, with clinical engagement, and we have to remove unnecessary processes that do not add value. We cannot afford to waste money on them. We must have greater local accountability for the commissioning process in order to embrace public support for change on this unprecedented scale.

Dr Pugh *rose—*

Mr Dorrell: I have only 40 seconds left for my speech, so if my hon. Friend will forgive me I should like to conclude.

My key message is that as we look at the lifetime of this Parliament, I do not see the White Paper as the linchpin of reform, but as a key tool in the delivery of the reforms that are neatly encapsulated in what I have described as the Nicholson challenge.

2.38 pm

Rosie Cooper (West Lancashire) (Lab): I often comment that when I became an MP I did not get two items that would have made life so much easier—tarot cards and a crystal ball. In considering the coalition Government's health policy, they would be essential tools for the job, because before the general election, the statements of the Leader of the Opposition—now the Prime Minister—gave us the impression of a future for the NHS that was completely different from the one we now face. He said:

"We are the only party committed to protecting NHS spending…I'll cut the deficit, not the NHS."

He spoke about a period of organisational stability in the NHS. Those were broken promise No. 1 and broken promise No. 2. Instead, we are faced with a vision from the Secretary of State which could set us back 20 years. I say so not as political rhetoric, but from 30 years' direct involvement in the NHS, including 10 years as chair of a hospital.

The press seems to share that pessimistic view—"extraordinary gamble," "cocktail of instability," "accident waiting to happen"—hardly a ringing endorsement of the Government's health policy. For me, it is a recipe for disaster: one part reduced financial resources, two parts structural reform and three parts break-neck speed—

Lyn Brown: Does my hon. Friend agree that the estimated cost of £2 billion to £3 billion for the reorganisation could be far better spent on outcomes for our citizens and treatments for our children?

Rosie Cooper: Absolutely. I am sure the Secretary of State will give due cognisance to the comments being made, especially about putting resources right there on the front line, delivering for the very people who are paying the wages.

In his evidence to the Select Committee on 20 July, the Health Secretary set out five aims of the White Paper, and he went through them here today. I shall review some of those in the light of the dribbles of information that we have received, and see how they stand up. The first aim was creating a patient-led NHS. Let us start with the Secretary of State's glib catch-phrase, "No decision about me without me"—

Mr Lansley: Glib?

Rosie Cooper: Yes, glib. Where is the substance? Will it make any difference if the GP consortiums do not agree with the Secretary of State? Will those consortiums meet in private or in public? Will he listen to those patient voices? Will he be able to hear them?

Jim Shannon (Strangford) (DUP): Does the hon. Lady agree that when it comes to prevention and early diagnosis of diseases, the GP and what happens at the clinic and the surgery is critical? Money can be saved in the long term. Perhaps that is what the Government should be doing—making sure that money is there on the front line, in the GP surgeries and in the clinics.

Rosie Cooper: Nobody could disagree with that.

The NHS will be one where the area and street where people live will determine whether they have access to certain drug treatment, because of the weakening of NICE and a shift back to value-based pricing, placing drug companies back in control, and a return to postcode prescribing—an NHS where people may or may not get certain operations. Already in my area, across Lancashire, primary care trusts are reviewing funding for 70 procedures, so if patients require an endoscopic procedure for their knee or back, or a hysterectomy, those may no longer be available.

How far people travel to their hospital depends on whether they have a hospital close by that offers the treatment that they need. On 26 October at the Select Committee, various witnesses gave evidence that hospital closures will be necessary to release moneys back into

[Rosie Cooper]

the wider health service. How many patients would agree that such a state of affairs is part of a patient-led NHS? Not many, I bet.

Improving health care outcomes was the Secretary of State's second aim. It seems highly unlikely, given that the ability to deliver improved outcomes is reliant on front-line services and the availability of the staff to deliver them. The Royal College of Nursing expects to lose 27,000 front-line jobs. That is the equivalent of losing nine Alder Hey children's hospitals. The work of the RCN suggests that under the guise of 45% management cuts, the NHS will lose health care assistants, nurses and medical staff—front-line cuts by stealth.

All this must be set in the context of what was said to be the lowest financial settlement since the 1950s, reputed to be 0.1%—as we heard today, that is already disputed—together with massive pressure on NHS budgets from increased VAT costs—*[Interruption.]*—redundancy payments, budget short-falls and hospitals having tariffs frozen—*[Interruption.]*

Madam Deputy Speaker: Order. The Secretary of State does not need to shout across the Chamber. He has had his time.

Rosie Cooper: It would help if I could hear the right hon. Gentleman, but never mind.

The difficulties are topped up with increasing demand for services, an ageing population, an increase in the number of people with complex illnesses and the rising cost of treatment. That is all very worrying.

At the Select Committee the Secretary of State spoke about increasing autonomy and accountability in the NHS. I have raised that with him on a number of occasions and I tried to intervene today. It is a further example of the two health policies of the Administration, one mythological and the other the reality. Perpetuating the myth, the Secretary of State said at the Select Committee that

"the conclusion that we reached was that we could achieve democratic accountability more effectively by creating a stronger strategic relationship between the general practice-led consortia and the local authority."

We might imagine that that meant patients and elected representatives at the heart of decision-making, and that the consortiums would operate with councillors on the board, who would be able to vote, but no. Scrutiny will come from well-being boards, which means that patients and councillors will not be there offering their opinions and able to vote. Well-being boards, like the current NHS overview and scrutiny arrangements, may as well not exist because they will be nothing more than a focus group.

I said at the Select Committee that those arrangements were nothing short of throwing snowballs at a moving truck—they would make little or no difference. The Government are giving a budget of more than £80 billion to GPs who just want to practise medicine and not get involved in the experiment.

Lisa Nandy (Wigan) (Lab): May I mention the issue of GPs and safeguarding, the key role that GPs play in keeping children safe, and the fact that if they are spending time commissioning services, who will fulfil that vital function?

Rosie Cooper: We need to get more GPs to do that, and I think that is what the Secretary of State is trying to say.

The Government plan no testing or pilots, just a big bang, using consortiums as a shield to deflect criticism from them, rather as they currently use the Liberal Democrats.

The fourth aim was promoting public health. Everybody agrees that prevention is key to easing the cost burdens further down the health pathway, so if we were serious, we would be doing more about promoting public health. Simply allocating 4% of the NHS budget and giving it to cash-strapped local authorities does not seem the best and most effective way of promoting public health. We await more detail, although that might be as difficult to follow as the Department of Health's £1 billion allocation to social care.

That brings me to the fifth aim of the White Paper. Following the publication yesterday of "A Vision for Adult Social Care" by the Department, the foreword gives us a sense of where we are heading with the Government's policy. Under the third value, responsibility, it states:

"Social care is not solely the responsibility of the state. Communities and wider civil society must be set free to run innovative local schemes and build local networks of support."

I wonder whether that is code for "We've got no real money to invest. Local authorities are not going to be able to meet the demand. Oh well, you'd better get on with it yourself."

It is no use the document quoting Frederick Seebohm from 1968, as that might not reflect the world of today. As an ideal, it is great, but not every family and every individual can offer the help and support that are required. There are incredible strains on hard-working families and individuals trying to make ends meet while struggling to provide care for ill and elderly relatives—

Madam Deputy Speaker: Order. Time is up.

2.48 pm

David Tredinnick (Bosworth) (Con): I support the Opposition's motion in one respect: their call on the Secretary of State

"to listen to the warnings from patients' groups, health professionals and NHS experts".

I want to address particularly the issues affecting those in integrated health care. I speak as the chair of the integrated health care group—the old complementary medicine group—and as someone who has the honour of serving under my right hon. Friend the Member for Charnwood (Mr Dorrell) on the Health Committee. I wish to look at the regulation of herbal medicine, the possibility of complementary medicine leading to cost reductions in the health service and the choice of services.

As my right hon. Friend the Secretary of State knows, we will have a problem next year with the implementation of the traditional herbal medicines directive, about which many colleagues have been approached by constituents. From April, practitioners will no longer be regulated under section 68 of the Health Act 2009, so my first plea to my right hon. Friend is to come up with a solution to this problem ahead of time—ahead of Christmas, I hope. Otherwise, from April, practitioners will be unable to prescribe the herbs they have been

prescribing under the section 68 derogation. The best course of action is the Health Professions Council, because that is the only body—

Madam Deputy Speaker: Order. I should remind the hon. Gentleman that we are not discussing the directive, amendments to the directive or herbal medicine. We are discussing the reorganisation of the health service, to which he needs to direct his points to make them relevant to the motion.

David Tredinnick: Thank you, Madam Deputy Speaker. What I am talking about is relevant to cost savings, choice and the use of existing practitioners. I hope that my right hon. Friend will deal with that issue; otherwise it will cause him major problems next year. I will now move on.

The other, related problem is that, under this arrangement, unless my right hon. Friend acts, we will lose many available products from the shelves, which will affect health service costs and what practitioners can do. Yesterday, I went to Brussels to discuss the issue as it affects health service, which we are discussing, and related cost savings. I spoke to Elena Antonescu, a Member of the European Parliament, who advised me that if the health service is to continue with traditional Chinese and Ayurvedic medicines, the Secretary of State will have to lobby Members of the European Parliament to go to the Commission to produce a report that they first proposed in 2008.

Madam Deputy Speaker: Order. The hon. Gentleman is pushing at the margins. We are not discussing European directives; we are talking about reorganisation of the health service in line with the White Paper. He must put his comments in that context.

David Tredinnick: I am most grateful to you, Madam Deputy Speaker, for your help. I have made my point about Europe having to be involved.

I also want to comment on the points made by my hon. Friend the Member for Basildon and Billericay (Mr Baron) and others about cancer care. Cancer patients can be much helped by integrated health care practitioners. I could cite many different hospitals, but I shall mention just one—Royal Surrey County hospital, which is a national health care award-winning hospital. It includes St Luke's cancer centre, which offers a wide range of complementary therapies in support of the health service. I want to see such choice widened. If herbal and nutritional medicines are used, that will reduce the costs of the health service referred to in the motion. Many institutions abroad, such as Australia's National Institute of Complementary Medicine, have shown Governments the way and enabled them to restructure services and provide cost savings.

With those remarks, I very much hope that my right hon. Friend the Secretary of State looks with care at what I have said about these benefits.

Madam Deputy Speaker: Order. The hon. Gentleman, who is a very experienced Member of this House, has been pretty close to not being in order. I take it that he has now resumed his seat, and I will move on to the next contribution.

2.54 pm

Diana Johnson (Kingston upon Hull North) (Lab): I am delighted to have an opportunity to say a few words in this debate.

Labour's investment in health care over the past 13 years has produced huge strides. When we think about the position in 1997, with long waiting lists and hospitals in desperate need of refurbishment, we realise that we have come a very long way. I am disappointed that the new coalition Government, instead of deciding to build on the very successful investment over the past 13 years, are now engaged in an ideological approach to the NHS to bring in the private sector and to destroy a lot of the very good work that has been done.

I pay tribute to all NHS staff, clinical, non-clinical and administrative, who do their best and work very hard for patients. One of the most upsetting things I have heard since May is Government Front Benchers' denigration of our NHS managers and administrators. That is very wrong.

My main starting point is to look at whether the coalition's proposals will improve the health of my constituents in Hull. I do not think they will. I am absolutely appalled that the Government are to spend £3 billion on reorganisation when there is such a tight financial settlement for the NHS. Their focus should be on ensuring that patient care is maintained over the next few years, not on reorganisation.

Hull has a very good primary care trust. I pay tribute to the excellent and innovative work of Chris Long, the chief executive, and of Wendy Richardson, the jointly appointed director of public health with the local authority. As a spearhead PCT, Hull received additional money under the previous Government. It introduced projects such as the health trainers who have done so much in working with communities that have high levels of health inequality, for which different ways of working must be adopted. It has also done work on domestic violence and worked with its perpetrators.

The reason I am such a fan of Hull PCT is that, unfortunately, we have a Liberal Democrat-controlled council that does not seem to have any focus on its responsibilities for public health. The previous Labour council introduced free healthy school meals in all the city's primary and special schools, rather than wait for an evaluation after three years of the pilot project, but the Lib Dems came in and scrapped it. The project was trying to do something about the high levels of obesity and poor performance in schools—to get to our youngsters early to ensure that they eat well. When that Lib Dem council is given the agenda for public health, I do not have much faith in it taking it seriously.

Hon. Members will recall the introduction of the free swimming initiative in the previous Parliament, which got our young people active through swimming and engaged our councils. Of course, Lib Dem-controlled Hull city council said, no, it was not going to get involved, and at the same time it put up the costs to our youngsters of attending sports clubs in the city. I am therefore very sceptical about the proposed public health agenda being taken on by Lib Dem local authorities.

Lyn Brown: My hon. Friend will know about the health needs in Newham, where the incidence of TB is rising and the rate of HIV is very high. The people who

[Lyn Brown]

have helped me and my constituents most in managing these health needs have been the people at the PCT, who have been very responsive to my requests and requirements. Has she found the same in Hull?

Diana Johnson: Absolutely. Although not all PCTs have operated as we would like, there is good practice throughout the country. We should focus on that and see what we can learn.

I am concerned about the coalition Government's approach to public health, because the junk food industry seems to be helping them to make policy, as some of our national media have reported in the past few days.

Kate Green (Stretford and Urmston) (Lab): Is my hon. Friend aware that the Government have decided to abolish the health in pregnancy grant, which would further assist pregnant mothers with healthy eating and preparing for the birth of a healthy baby?

Diana Johnson: Absolutely. My hon. Friend campaigned long and hard for families, especially low-income families, in a previous occupation. The health in pregnancy grant is going and the Sure Start grant will now be paid only for the first pregnancy, so we are starting to see what the Government really think about improving people's health, especially that of women.

Of course, we must not forget that during the election campaign in May the Liberal Democrats made it very clear that they thought NHS funding should not be ring-fenced. The right hon. Member for Twickenham (Vince Cable) said that the NHS should not be treated as a sacred cow. Again, we see the Liberal Democrats being the more regressive part of the coalition.

I wish now to concentrate on GP commissioning, because there are major issues on which we need to focus. Many specialist groups, particularly the muscular dystrophy group in Yorkshire, have been in touch with me to say that they are concerned that local GPs will not understand their health needs. I have talked to patients in the local hospital and other people receiving health care locally, who are anxious about their particular needs being met.

For me, a bigger issue is the performance of GPs. PCTs have been particularly successful in holding to account GPs who do not perform as well as they should, and I am particularly concerned about who is going to hold the ring. Who will deal with GPs who do not meet the needs of their communities?

A number of hon. Members have mentioned the bureaucracy in the new system of GP consortiums. I believe that there will be more administrators, and I say to the Secretary of State that, if we are to focus on health outcomes, bureaucrats will be needed to put together information and statistics and we will not, therefore, see the massive reduction in backroom staff that the Secretary of State expects.

A lack of accountability at local and national level is a major problem. The new national board—the largest quango that we have ever seen—is being created, but to whom will it be accountable? It is not acceptable for the Secretary of State and his Ministers to come to the House and say, "That is for the national board", or "That is for local decision making." We need control over what happens to our NHS. As I asked in my intervention on the right hon. Member for Charnwood (Mr Dorrell), why cannot we have some pilot projects? If the change is to be so great, let us pilot it, see what happens and take a considered approach. Let us have some evidence to back up the White Paper.

I do not believe that any of the Government's proposals will improve the health care of the people I represent. Of course we believe that clinical involvement is important, and of course doctors and other health care professionals should be involved. My hon. Friend the Member for Rochdale (Simon Danczuk) made the point that we should use the PCT structure to provide more clinical information and advice—we can have that involvement without throwing out the whole structure.

The Government must also consider other health care professionals, such as pharmacists. There are pharmacists on the high street in my constituency who really contribute to the health care of my constituents. People such as Mr Hall on Beverley road and Cath Boury on Newland avenue do face-to-face work to encourage people to give up smoking or reduce their weight. If we want to get clinicians involved, let us get all the clinical practitioners involved.

I finish with the "any willing provider" model in the White Paper. The Labour Government made it clear that the NHS was the provider of choice. That was exactly the right thing to do, because it recognised the important role the NHS has played over the past 60 years. It has staff with specialism and dedication, but the idea of "any willing provider" is just code for the private sector, is it not? The attitude is, "Let's just roll it out and have the private sector run our NHS." Most people in this country, particularly those who vote for the Liberal Democrats—I point to their Benches in saying this—will be shocked to know that their MPs are standing up for the private sector. It is disgraceful, and I hope very much that the White Paper will be amended to state that the Government support the NHS as the main provider of choice, rather than going down the road of the private sector and the Americanisation of the NHS.

3.4 pm

Mr John Baron (Basildon and Billericay) (Con): The Government's refresh of the cancer strategy, announced within two months of their taking office, and their commitment to the cancer drugs fund, clearly illustrate their commitment to improving cancer services in this country. As chairman of the all-party group on cancer, I very much welcome that.

May I suggest that the Government's focus on outcomes is long overdue? Cancer survival rates in this country have been improving steadily for the past 30 years, but it remains scandalous that the UK is still floundering in the lower divisions of the international cancer league. Part of the problem is that for too long, the NHS has been focused on process-based targets. We need greater focus on outcomes to put the spotlight on just how well the NHS treats patients, not just on how quickly they are seen. That focus will be very important to patients, and particularly to cancer patients.

Last year, our all-party group set up an inquiry, which reported at the end of the year, on cancer inequalities. The evidence clearly showed that patients who survive one year stand as much chance of reaching the five-year point as cancer patients in other countries. However,

where this country lets itself down is that our figures are poor compared with other countries when it comes to the one-year survival rates. That suggests that the NHS is as good as, if not better than, any other health service when it comes to treating cancer once it is detected, but falls down badly in detecting the cancer in the first place. That was why the all-party group's report recommended the introduction of a one-year cancer survival rate measure, to encourage earlier diagnosis. Late diagnosis makes for poor one-year figures, hence our recommendations. I was therefore delighted that the Government picked up on that point and introduced one-year cancer survival rates as well as five-year survival rates in the White Paper.

Lyn Brown: I am following the hon. Gentleman's excellent speech with care, and I totally agree with what he has said so far, especially about early diagnosis. In poorer areas, early diagnosis does not occur so often, for myriad reasons. In his view, what is set out in the reorganisation White Paper that will make early detection of cancer easier in areas such as mine?

Mr Baron: The answer to the hon. Lady's question was supplied by my right hon. Friend the Secretary of State in answer to my question earlier. The one and five-year cancer survival rate figures will be published and presented, although how that will happen is in the melting pot. I very much welcome the work of the Office for National Statistics, the National Cancer Intelligence Network and the London School of Hygiene and Tropical Medicine. Whatever form the figures take, they will be in a performance table, not a league table, to ensure that all PCTs and then GP consortiums are tasked with improving performance, irrespective of how they compare with others. That will obviously include PCTs in deprived areas across the country.

I suggest to my right hon. Friend the Secretary of State that the focus on outcomes must include patient experience measures and longer-term quality of life measures, such as whether patients are able to return to work. That, too, is very important from the point of view of cancer patients.

As an aside, I suggest that there is a question mark about process-based targets such as waiting times in general. To return to the point made by the hon. Member for West Ham (Lyn Brown), the real problem when it comes to late diagnosis is not whether it takes one, two or four weeks for a patient to see a cancer specialist. It is how long it takes for the suspicion to be raised that cancer exists in that patient in the first place. Perhaps we should incentivise GPs to detect cancer earlier.

Kate Green: I absolutely appreciate the expertise that the hon. Gentleman brings to the debate, but I should like to ask his views on the issue of anxiety while waiting for an appointment. Whatever the physical outcomes of early treatment, there is a peace of mind issue for patients who are anxious to see their doctor as quickly as possible.

Mr Baron: I accept what the hon. Lady says, and I hope that the focus on outcomes will include matters such as patient experience surveys, which will incorporate that very point. It is an integral part of a patient's experience, and it should be picked up when we start focusing on outcomes.

I return to GPs being incentivised to detect cancers earlier. In that vein, I very much support Cancer Research UK's campaign to encourage greater access for GPs to diagnostic testing. That will be terribly important when it comes to detecting cancers earlier.

Moving on to GP commissioning of cancer services, there is no doubt in my mind that there is room for improvement in this area, and it would be naïve of Members to believe otherwise. There is often frequent confusion between the roles of strategic health authorities, cancer networks, PCTs and hospital trusts. The priorities of the cancer reform strategy are often not aligned with those of the PCTs.

I should like to play devil's advocate and suggest to the Secretary of State that we need to tread carefully in dealing with the challenges ahead. The Secretary of State will be aware that GPs see only about eight new cancer cases a year, and that cancer is a set of 200-plus diseases with often complex care pathways. The GPs are often involved in the early and late stages of that care pathway, but the complex bit in the middle is often conducted by clinicians in hospitals.

Challenges lie ahead. We need to ensure that the responsibilities of the NHS commissioning board, the PCTs and the GP consortiums are clearly defined to avoid fragmentation of treatment across the cancer pathway. The reforms must help and not hinder the close working relationship between primary and secondary care doctors. The role of cancer networks in supporting GP consortiums needs to be clarified before those networks are broken up and their expertise is lost.

Furthermore, we must consider whether we need to redistribute the financial incentives to encourage more focus on the earlier and late stages of the care pathway. In other words, we must ensure that reward matches responsibility. Should a qualities and outcomes framework be realigned so that early diagnosis, survival and people dying in their place of choice are included?

In the last minute left to me I shall mention the cancer drugs fund. I have raised the issue with the Secretary of State before. There appears to be early evidence of disparity of access. When it comes to the cancer drugs fund, access should always be clinician-led. In some regions, approaches can be made to the PCT, and in others they are made to the cancer network, which, in turn, has access to the fund. Elsewhere, GPs are forming panels. May I suggest that best practice from the interim drugs fund is applied uniformly before the main drugs fund kicks off next spring? We do not want to add to cancer inequalities when it comes to access to treatment and drugs.

In the past, rarer cancers have had a very raw deal. I know that the Secretary of State is conscious of that and will ensure that those who suffer from rarer cancers will be treated much more fairly than in the past.

There is not time for the Secretary of State to answer all my questions now, but I hope that he will address them when he speaks at the Britain Against Cancer conference on 14 December, and I look forward to hearing what he has to say.

In short, the refocusing on outcomes is the greatest innovation and benefit to patients since the NHS began. However, that must not be undermined by the problems with GP commissioning.

3.14 pm

Yasmin Qureshi (Bolton South East) (Lab): Thank you, Madam Deputy Speaker, for giving me the opportunity to speak in this debate. I want to take up a few of the points made by the Secretary of State. First, he talked as if the previous Labour Government had done nothing for the NHS and had shown no concern about how people were treated. It is worth reminding the House what Labour inherited in 1997 after a number of years of Conservative mismanagement. We used to have waiting lists of more than two years. Now, waiting lists are down to less than six months. A record number of nurses, doctors and porters have come into the hospital system. Many hospitals have been built and many others have been refurbished. Therefore, we will not listen to the Government telling us that we did nothing or that we did not take care of the NHS. We spent more than £80 billion on the NHS, which benefited many people. The Government state that they will protect the NHS and will not reduce the funding. That is just not correct. They talk about billions of pounds going into the NHS, but the money will actually go to the social care fund, which does not directly benefit people in hospitals. In real terms, there will be a 17.5% cut over four years. There is a decrease in the budget and services will be affected.

Lyn Brown: My hon. Friend must have noticed the chuntering taking place on the Government Front Bench. The same happened during the speeches of a number of other Opposition Members. Does she not think that that is really poor form, especially when the Secretary of State did not seem able to take interventions when it was his turn?

Madam Deputy Speaker: Order. That is a matter for me to control. The hon. Lady will continue with her speech. I am sure that all Members of this House, including those on both Front Benches, will behave appropriately in this debate.

Yasmin Qureshi: We are told by the Government that the reorganisation is not ideologically driven, but is somehow a way of maximising efficiency and making the systems better. At a time when we are being told that there is not enough money, commentators and experts are saying that this reorganisation will cost at least £3 billion. We are not talking about a small amount of money; we are talking about £3 billion.

Lisa Nandy: In my constituency of Wigan, despite the extreme and visible progress that we have made in the past 13 years of Labour Government, there are still significant health inequalities. In fact 129 per 100,000 people in my constituency die of coronary heart disease, compared to 90 nationally. I know that my hon. Friend shares my concerns, but does she agree that, at a time when we should be addressing those health inequalities and continuing to invest in the NHS, it is an absolute scandal that we are spending the amount of money that she suggests?

Yasmin Qureshi: I entirely agree with my hon. Friend. She and I have almost adjoining constituencies, and many of the issues and problems of her constituents are very similar to those in my area. When we were in power, £345 million was set aside for disabled children, for respite and all-night breaks. All of those children will now suffer because the White Paper makes no mention of funding for disabled children after March 2011. Yet, we have £3 billion to pay for reorganisation. On 2 November 2009, the Prime Minister, then Leader of the Opposition, told the Royal College of Pathologists that under the Conservatives, there would be no more restructuring of the NHS.

On 20 May, the coalition Government said:

"We will stop the top-down reorganisations of the NHS that got in the way of patient care."

What are they doing? They are carrying out exactly that reorganisation. If the Government want to make some real improvements to the NHS, the principle of "no decision about me without me" should be considered. The Health Secretary should reconsider the NHS reorganisation and try to think of a better way to use that money for patients.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): My hon. Friend says that the reorganisation is ideologically driven. Is not it the case that when one intends to spend up to £3 billion, one needs an evidence base and proof that that spending—whatever it is on—will be money well spent? As my hon. Friend the Member for Kingston upon Hull North (Diana Johnson) said, there have been no trial programmes or pathfinders. The money could be spent without a shred of evidence that it will make one bit of difference.

Yasmin Qureshi: I agree. I was about to discuss the impact of the reforms, with GP consortiums replacing PCTs. We know that there will be huge differences in the arrangements for health care in different areas. With the formation of up to 500 GP consortiums, all free to set their own priorities, a highly visible two-tier service will develop. Patients will be forced to move GPs or be reallocated to another area to get the care that they need.

The financial success of each consortium will also affect the service that patients receive. It will influence the type of care provided and how long it lasts. Some patients who need hospital treatment will inevitably be told by their GP, "Sorry, you'll have to wait until next year." Evidence has shown that making providers compete for patients and providing more choice to patients has done little to improve quality. Most people who are offered a choice of hospitals opt for their local provider. Choice may be important, but for patients, it comes below the quality, speed and accessibility of care.

The proposals do not make it clear whether the patients of the commissioning GP do the choosing. However, the GPs' new contract will have a powerful incentive to hit commissioning targets. How, therefore, do patients know whether they are being prescribed the best or just the cheapest treatment going?

Again, there is no evidence to show that the restructuring would reduce the bureaucratic load. Hospitals alone will have at least three times the number of commissioners with whom to communicate and contract. Five hundred GP consortiums, each with its own set-up and administrative costs, will replace the current 150 PCTs. Huge differences in the arrangements for health care will emerge between areas. A postcode lottery will develop.

Yvonne Fovargue (Makerfield) (Lab): Does my hon. Friend agree that the description of a consortium of GPs—a loose affinity of people with whom they get on rather than a geographical boundary—and the loss of co-terminosity will affect patients? Indeed, it will not simply be a postcode lottery, but, across the board, a matter of whom a patient is registered with.

Yasmin Qureshi: I thank my hon. Friend for that intervention. Some years ago, when that sort of process was introduced in the legal system, with solicitors able to apply for franchises, the big firms benefited and the smaller, local firms went bust. A similar thing will happen. Some GPs, who run small surgeries in the heart of a community, will not be able to form consortiums. What happens to them? Does it mean that people in parts of Kearsley in my constituency will have to travel seven miles to go to a big GP consortium rather than being able to walk down the street and speak to their GPs, as they currently do?

The reform means that private patients will have a chance to pay for faster care in the NHS. Now that the restriction on the income that can be made from private patients is being lifted, cash-strapped hospitals will find it difficult to resist that income stream. Patients could routinely be offered that route to faster treatment. Thus wealthier people can queue jump, while NHS patients will linger on a lengthening waiting list.

I know that the Secretary of State—

Madam Deputy Speaker: Order. I am sorry, but time is up.

3.24 pm

Mr Steve Brine (Winchester) (Con): I shall be brief as I know that many hon. Members wish to speak. I am pleased to speak in the debate as someone who is about to see rather a lot of our national health service. My wife and I are due literally any day now—some may say tomorrow—to have our second child at the Royal Hampshire county hospital in Winchester, so all, including my Whips, will forgive me if I miss the Adjournment debate tonight.

Perhaps I am a little biased, but the Royal Hampshire in my constituency is in many ways the sort of institution that I see as the cornerstone of our national health service. It is a classic district general hospital, with a full service, and maternity and A and E departments at its heart. Elderly care services are first rate and infection rates are among the lowest in the NHS. We have a neonatal baby care unit, for which many similar sized institutions would give their right arm, and a bustling out-patients unit. Of course, the hospital would like to do more, but it sits at the heart of the community in Winchester and the surrounding areas because it is continually strengthened by the fact that the people who work there—the nurses, the midwives, the consultants and the cleaners—live in and around the city of Winchester. Of course, the NHS is more than its physical hospital buildings, but I view the Government's equity and excellence White Paper in the context of institutions such as the Royal Hampshire and the locally connected NHS services that cluster around it.

My local NHS trust will undergo many changes in the coming years as it prepares, with its partners, to make the gear change to foundation status. That is absolutely right in my view to liberate our NHS. As I have often said to my trust and to the people I represent, I am not hung up on the name at the top of the wage slip for individual employees of the NHS in Winchester or anywhere else; I am merely concerned about the services that the NHS in Winchester offers the people I represent. I suspect that no hon. Member would disagree with that.

Equally, I am concerned about protecting the services in the financial context in which we find ourselves and the enormous national debts under which we labour. I am proud that my right hon. Friend the Prime Minister put the NHS at the heart of his programme for government. He must have been watching closely because I did the same in Winchester. I am especially proud to be elected as a new member of the new Government, who made the political choice—it is a choice; we did not have to do it—to protect health spending in the recently announced spending round. I know that Labour Members do not believe that and that at every turn they will try to rubbish it, as we have seen from part of the motion's wording today. I guess that part of me, were I in their position, would do the same. It must really rankle. There is a new coalition Government, led by a Conservative Prime Minister, who are pledged to protect the NHS and put it at their heart. I am proud of that.

Jonathan Reynolds: Does the hon. Gentleman think that the terrible cuts that our local authorities will face in adult social care and other core services will absorb the ring-fenced money for health simply because they will not be able to provide in future the sort of services that they currently provide?

Mr Brine: No, there is absolutely no reason for them to do that. My right hon. Friend the Secretary of State for Communities and Local Government will make an announcement on council funding, but the Secretary of State for Health has already announced in the comprehensive spending review that the Government have allocated moneys for social care.

I know that the Labour party will try to rubbish our proposals, and that is their choice. My point is this: the people I represent do not care much about how the NHS is structured, but they care a great deal about ensuring that their NHS is there when they need it. They pays their money, and they expect the NHS to be there when they need it, free at the point of use. That is the cornerstone of what we are proposing.

I am very happy to defend outcome-focused, GP-led commissioning for my constituents. Every health care system in the world worthy of the name has the GP-patient relationship at its heart, and our proposals for GP consortiums seek to strengthen that for the sake of all the people we represent. Why on earth would we propose anything different? GP consortiums are an enormous opportunity for the NHS, and the perfect way to further the "no decision about me without me" agenda that is so important. I do not think that that is glib, as an Opposition Member said earlier. It is about rejecting the "Like it or lump it—this is the service you're going to get" view that we have heard for far too long in our health service.

Rosie Cooper: I would like to state on the record that the expression is glib when it is uttered by a Secretary of State who does not back it up, who does not place

[Rosie Cooper]

patients at the centre, who will not have patients or their elected representatives serving on consortiums and who makes grand statements that are baseless and meaningless.

Mr Brine: I am sorry I gave way; I expected something else. I do not think for one minute that it is glib. We are not suggesting that every single patient will be involved in every single element of their care, but how could anybody disagree with "no decision about me without me"?

GP consortiums are an opportunity for the health service finally to realise one of its original aims—the sophisticated management and prevention of illness through the intelligent use of the patient list. That is still a largely untapped resource in our national health service.

GPs I speak to are up for their new role in commissioning for their patients. Of course they have questions—it would be strange if they did not—but they are not calling, as the Opposition's motion is, for us to ditch our plans because things have got difficult and they have a fear of change. The Opposition cannot have it both ways. They support our plans for more GP involvement in patient care, but call plans for GP consortiums inefficient and secretive.

I see my job as a Member of Parliament as being an important link in helping GPs to answer some of those questions about consortiums that are coming down the line. I know that my right hon. Friend the Secretary of State has met groups of GPs in other areas of the country, and I ask him today to check his inbox because an invitation from me is coming his way.

As we know, following the establishment of GP consortiums, primary care trusts will no longer have NHS commissioning functions. It would be nonsense to create GP consortiums and keep two other tiers of management commissioning alongside them. Investment in the NHS has not been matched by reform. Yes, we will protect NHS investment, but our reform agenda builds on the best of the reform process over the previous 20 years. An Opposition Member said that we reject everything that went on under the previous Government, but of course we do not. We have made that very clear. These proposals build on Labour Government measures such as practice-based commissioning and NHS foundation trusts, and rightly so.

I sometimes hear it said—I heard it put to my right hon. Friend the Secretary of State yesterday morning on the "Today" programme—that the Government's health policy was a bit of a surprise to everybody. I do not know why that would be. I mentioned earlier that the Health Secretary visited the Royal Hampshire county hospital. That was in May 2008, and he discussed the policy with people there then. He will remember the visit.

Jonathan Reynolds: Will the hon. Gentleman give way?

Mr Brine: No, I want to finish my remarks. My right hon. Friend will remember discussing with those professionals his ideas, which were published. He referred to those ideas in 2006, and they eventually made it through to our manifesto and the coalition agreement. They certainly should not have been a surprise to anyone who was watching.

I know that my colleagues will all be speaking to their PCTs and strategic health authorities, as am I. I have had a positive dialogue with NHS Hampshire in the months since I was elected, and I pay tribute to its chief executive who takes the responsible view that her job is to ensure that the NHS in Hampshire has what she calls a safe landing and a smooth transition to GP consortiums.

On public health and local accountability, as we know, a key part of the coalition plans for health involve the transfer of public health to local authorities, who will employ a director of public health. I know that these directors will be responsible for health improvement using a ring-fenced public health budget according to the needs of the local population, and I warmly welcome the move. However, I sound a note of caution about local authorities leading in public health. I urge Ministers, perhaps through partnership-working with the Local Government Association, to ensure that councillors are taken into every single step of the process and that sufficient training is given. I know that the cult of the amateur has held sway in many parts of our public service, but this is one area in which we need to support locally elected representatives as much as possible.

As co-chair of the all-party group on breast cancer, it would be remiss of me not to mention the very real concerns that we have about access to specialist nurses in the NHS, which traditionally have been an easy target for cuts. That must not happen under the new arrangements. It would be a false economy for any GP consortium to do that.

The coalition plans for health reform are not a gamble; nor are they ideological. They are about recognising that we live in the shadow of appalling national debts, and we remember where they came from. Protecting the front line, pushing power down to the local level and dealing with the national debt crisis are what "Equity and excellence" is all about, and that is why I will not be supporting the motion.

3.34 pm

Kate Green (Stretford and Urmston) (Lab): Let me begin by wishing the hon. Member for Winchester (Mr Brine) and his partner well for the pending new arrival. I am sure that they will receive an excellent service in their local NHS hospital, and that the whole House wishes them the very best.

I should like to use this opportunity to raise a few of the concerns that have been brought to my attention by people in my constituency. Many do not fully understand how the new proposals will work to deliver the outcomes we hope for, and I hope that the Minister can answer for them this afternoon. Essentially, people are anxious that where they live and who they are will begin to determine the level and quality of their care.

I am sure we all agree that consistency and guarantees of standards must be an integral part of the operation model that the Government seek to introduce. That is especially important in relation to health outcomes for the poorest and most vulnerable. There is a high level of health inequalities in my constituency. The people who live in the poorest wards suffer much worse health outcomes than those in the better-off wards in the south of the borough of Trafford. The local authority was quite slow to recognise that, so how will health inequalities receive strategic attention in the proposed new structures?

What will be the role of the public health director, who will be placed within the local authority? I am keen to know how that public health role in the local authority will devolve and relate to those at the sharp end in all health settings—those who provide front-line care. I hope that the Minister can fully explain that in his winding-up speech so that my constituents can be clear about it.

My constituents and I are concerned about how the wider drivers of health inequalities—income, education, employment and so on—will be addressed in the new structure, particularly when so many national policies seem to be taking us in the opposite direction, as my hon. Friend the Member for Kingston upon Hull North (Diana Johnson) pointed out earlier.

Lisa Nandy: Does my hon. Friend agree that as well as the vast inequalities in life expectancy, the lingering issue of care for those who live longer and longer with chronic illnesses needs to be addressed? Those people are suffering now. Does she agree that it is an absolute disgrace that the Government have decided to tinker with the structures rather than put in urgent investment to help those people, including people in my constituency of Wigan?

Kate Green: Labour Members want to know whether the money spent on the restructuring of front-line care in our communities is the best use of that money. As the Health Secretary himself pointed out, we continue to have poor health outcomes and standards compared with our European neighbours, so why does it make sense to put more money into reorganisation and less directly into front-line care? I look forward to hearing what the Minister says about that.

The second issue that I want to address involves patient voice. That, too, has been raised in my constituency. A particular concern of mine is to ensure that the poorest and most vulnerable are heard. I am concerned about the lack of voice of those who do not have the sharp elbows and the articulacy to speak up for themselves to secure the best for themselves and their families. We know that that is the fate of many in our poorer communities, and especially of those with mental health problems.

I have been told a number of times in my constituency, including by GPs, that GPs are not particularly expert in, or equipped to deal with, mental health needs. How will those patients' needs be identified, recognised and responded to in the new structure? What help will be available to enable patients to articulate such needs? There is uncertainty in my constituency on the future structure. How will patient voice, choice and opinion feed in to the new model?

The Trafford patient LINk—local involvement network—service is uncertain about its future role and status. I very much hope that Ministers will be able to give us more information about how we will get a clear opportunity for advocacy, so that every patient's voice can be properly heard, and for proper support for patients who are perhaps less able to articulate their needs and secure services for themselves.

I am concerned also because I know—not just from my constituency, but from my long experience of supporting and working with vulnerable families—that different values pertain among different doctors and practitioners. I am particularly concerned, for example, for the young woman who may present herself to a GP who does not feel it appropriate to offer her advice on contraception or abortion. How can those minimum standards be protected, so that everybody—wherever they live, whoever their doctor is and whatever the structure is—knows that they will be guaranteed the care that they need.

Thirdly, I would like to raise with Ministers the issues that have been raised with me by health practitioners and professionals—and which have been highlighted in this afternoon's debate—relating to GPs' ability and willingness to take on the management aspects of their commissioning role. Many GPs have said to me—perhaps the Minister will be able to reassure them this afternoon—that what they see tanking towards them is a heavy burden of management, albeit without the additional resource with which to manage it. Many GPs have said to me that they have not really had the training—they lack the expertise—to be health managers as well as good-quality health practitioners and providers of front-line health care. I am interested to know whether Ministers have plans for training GPs and developing those skills and abilities in GP practices, or whether, as many of us on the Opposition Benches fear, the proposal will in fact be used as an opportunity to privatise that management function. If that is the case—this is not an ideological point, but an efficiency point—I shall be keen to know what financial model Ministers expect to operate if a substantial amount or even a proportion of the money that would otherwise be held in GP practices will go to fund the profits of private providers.

Those are the issues being raised with me in my constituency. They are issues that I am afraid I do not feel equipped to answer, because I do not fully understand how the new structures will work well in practice and, in particular, how they will work well for the poorest.

In concluding, I would like to highlight a point that has been made by a number of my hon. Friends this afternoon. The injection of extra uncertainty and disruption into our national health service at this time is further—and considerably—stretching our capacity to deliver excellent front-line care. I would urge Ministers to listen to the many GPs who have said to me—and who I am sure are saying to them—that what is proposed represents an element of change and disruption that they cannot yet see the benefits of. What they can see is that there is considerable uncertainty in the way that they are now working. There is certainly concern in my primary care trust. I hope that Ministers can offer some reassurance on that point, because at the moment there is considerable instability, and that cannot be good for any patient outcomes.

3.42 pm

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): This is a period of great challenge for the national health service, and it would be whoever was in government. However, Government Members accused us of not having a care for staff and patients. In fact, it is precisely because we are concerned about staff and patients that we are using this debate to point to all that is problematic—and potentially even disastrous—about the Secretary of State's proposed NHS reorganisation.

In exploring the gap between what those in government said while in opposition and what they are saying now, we can do no better than refer to a speech that the

[Ms Diane Abbott]

present Prime Minister gave to the King's Fund in 2006, in which he set out the five key components of his approach to the NHS—components that, to my knowledge, he has not altered. His first component was that he wanted to guarantee the NHS the money that it needs. Who believes that now? Certainly not the Institute for Fiscal Studies, which has noted that not since the 1950s—from April 1951 to March 1956, to be precise—has there been such a small increase in NHS funding; and not the chief executive of the Royal College of Nursing, who said:

"A huge range of services and jobs are earmarked for cuts against this urban myth that the NHS is being protected. The evidence is quite clear…this is simply not the case".

Hon. Members, who, as the weeks turn to months, will see the cuts in their own constituencies, will not believe it either.

My hon. Friend the Member for Sheffield Central (Paul Blomfield) talked about what is happening to children's hospitals. What has not been factored in is the cost of reorganisation, which experts have said will be £3 billion. Ministers have said that their estimate is £1.7 billion, but when asked about the number of redundancies they cannot answer. We know that the cost—

Mr Baron: Will the hon. Lady give way?

Ms Abbott: No, I must get on.

The cost of redundancies, when they are factored in, will be hundreds of thousands of pounds. We believe that the figure of £1.7 billion will be overshot, and bring greater financial pressure on the NHS.

The second point that the Prime Minister made in 2006 was that he wanted to end the damage caused by pointless and disruptive reorganisation of the NHS. He said:

"We will not mess around with existing local and regional structures".

So the Secretary of State's big idea for the NHS was a pointless and disruptive reorganisation.

What do the people who work in the NHS think about that? The Royal College of General Practitioners says:

"our members are not convinced that the scale of the changes proposed is justifiable, especially in the context of cost reductions".

The British Medical Association

"questions whether a less disruptive, more cost-effective process could have achieved the aims of reducing bureaucracy".

The Royal College of Midwives says that it is

"very disappointed that despite pre-election promises to end…top-down reorganisation…the White Paper focuses far more on structures than it does on care delivery."

The reorganisation is high-cost, high-risk and contrary to everything that was said by those who are now Ministers in the run-up to the election. They have accused us of being confused and incoherent, but it is their reorganisation that is confused and incoherent. Every professional body echoes that thought.

The Prime Minister said that he wanted to

"work with the grain of the Government's reforms…So we will go further in increasing the power and independence of GPs and PCTs".

He has gone so far that he has left GPs behind, and only one in four believe that the reorganisation will improve patient care. As for PCTs, contrary to the Government's promises when in Opposition, they have abolished them.

What was the Prime Minister's fourth point about his main driving aims for the NHS? He said that he wanted to

"take the politics out of the management of the NHS".

There could not be a more political reorganisation. It is driven by ideology and a belief in free market ideology. As the chair of the BMA, Hamish Meldrum, said:

"If the Government is truly committed to reducing waste and inefficiency, their proposals for NHS reform should focus less on competition and more on a co-operative approach on delivering health care."

Finally in his 2006 speech the Prime Minister said that his main commitment on the NHS was

"fair funding to the NHS…We will end political meddling…removing the scope for fiddling".

We will see how much the scope for fiddling is removed when money is moved from the NHS budget to local authorities for social care.

My hon. Friends the Members for West Lancashire (Rosie Cooper), for Kingston upon Hull North (Diana Johnson) and for Bolton South East (Yasmin Qureshi) all expanded on what is problematic about the reorganisation. The Secretary of State began by posing as the friend of patients and those who work in the NHS. I will not take lectures from him on that. My mother came to this country as a pupil nurse from Jamaica in the 1950s. She was part of that generation of West Indian women who helped to build the national health service. Government Members cannot talk to us about the people who work in the NHS. As for patients, are Ministers listening to the patient groups—people who represent children, people who represent the elderly, and people who represent those with mental health problems—about their concern about what the reorganisation will mean for them?

This reorganisation is ill thought out and, at a time of tremendous financial stress in the national health service, ill timed. We believe that Government Members have been lulled into a false sense of security about what is to come. They believe that although students might be marching and the Church might be in uproar, the NHS is safe. I put it to them that, as the weeks turn to months and we move through the winter, and as we begin to see winter bed pressures, the consequences of this ill-thought-out, unnecessary, top-down reorganisation will reverberate not only in this Chamber but in the surgeries of Government Members and of all Members of this House. I am proud to support the motion.

3.50 pm

The Minister of State, Department of Health (Paul Burstow): This has been a revealing debate. Labour has come to the House today to make the case for the status quo—the case for standing still. Labour is here defending a failed status quo. We have heard Labour Members presenting to the House a number of extraordinary claims and grotesque caricatures of the Government's plans. They want to defend a failed status quo in which the NHS has been spending at European levels but has been so tied up in red tape that it has not delivered European levels of quality health care.

For 13 years, Labour tested to destruction the idea that the NHS was best run from Whitehall. The record speaks for itself. My hon. Friend the Member for Basildon and Billericay (Mr Baron) talked about cancer survival rates, and it is nothing short of a scandal that cancer survival rates in this country lag so far behind the best in Europe. If the status quo is right, as Labour Members seem to be arguing, why are a staggering 23% of cancer patients diagnosed only when they turn up as emergencies? Why is that an acceptable outcome?

John Healey: The hon. Gentleman is right, of course; there is still more to do to improve health and to improve the NHS, but can I just check something? Did I hear him right? Did he say that the NHS had failed?

Paul Burstow: No, I said that the Opposition had failed and that they were defending a failed status quo. Let me give the House an example of a failed status quo. If the NHS were performing at the level of the best in Europe, 10,000 more lives could be saved every year. This is what our focus on outcomes is all about. It is what patient-reported outcomes are all about, too.

We all agree that elderly patients should be treated with dignity and compassion, yet for far too many, that is not what happens in practice. Just last week, a report on patient deaths found that 61% of older people received "inadequate" care in their final days. After 13 years of a Labour Government, the NHS is in the bottom third in Europe in dealing with dementia—way behind Ireland, Spain and Portugal.

Jeremy Lefroy (Stafford) (Con): As the Minister will know, the independent public inquiry into Stafford hospital is taking place in my constituency at the moment, and the matters that he has just mentioned are highly relevant to that. Will he give the House an undertaking that the evidence given to that inquiry will inform the debate on the forthcoming Bill?

Paul Burstow: We will, of course, follow the inquiry closely and ensure that we learn lessons from it. We would not have set up the inquiry if we did not intend to learn lessons.

Labour's legacy is a demoralised and disempowered work force. Reforms have been half implemented, and billions of pounds have been wasted on a flawed NHS IT programme. This Government are clear that the NHS can be so much better than it is today—spending better and doing better both for patients and for the taxpayer. It is this Government's purpose to liberate the NHS so that it can deliver health care that is among the best in the world, to learn the lessons of Labour's top-down target-driven approach to health care, to reverse the obsessive focus on process that has stifled innovation and created dependency in the system, and to move away once and for all from a culture that measures success by ticking boxes, hitting the target but missing the point.

Labour talked about reforming the NHS and making it more patient centred, but its reforms were half-hearted, lacking coherence and a clear purpose. Reforms such as the introduction of foundation trusts, practice-based commissioning groups and patient choice, which promised so much, did not deliver under Labour.

Frank Dobson: If the hon. Gentleman is genuinely committed to getting away from top-down impositions, will he now formally abandon the top-down proposal to take £16 million away from the Great Ormond Street hospital for sick children?

Paul Burstow: I am grateful to the right hon. Gentleman for raising that issue, as I was coming on to deal with the comments of the hon. Member for Sheffield Central (Paul Blomfield). We are all here to say, rightly, that we want the best from our NHS—dedication from our staff of professionals and creativity from front-line staff. Both the right hon. Member for Holborn and St Pancras (Frank Dobson) and the hon. Member for Sheffield Central talked about that, but I remind the right hon. Gentleman that the review of top-up tariffs started under Labour. [HON. MEMBERS: "So what?"] Yes, it was in the NHS operating framework under Labour. We will complete that review and we are engaged constructively with the foundation trusts, but I think the right hon. Gentleman should have a conversation with his own Front-Bench team before he attacks the Government Front-Bench team.

Our proposals build on reforms such as practice-based commissioning, patient choice, foundation trusts, tariffs and social enterprise, and they hold true to the founding principles of the NHS—that it is free at the point of delivery, and not based on ability to pay.

Freeing front-line staff from the tyranny of process targets is another issue. The hon. Member for Winchester (Mr Brine) was right to talk about the need to build on the knowledge of general practices and help them to shape services to fit local need and deliver quality outcomes.

The hon. Member for Stretford and Urmston (Kate Green) talked about health inequalities and how they had widened in her constituency under Labour. That is why the Government are forging new relationships between the NHS and local government, making common cause on public health so that we can see it not only as a matter of medical health but as part of a far wider attack on the determinants of ill health in the first place. That makes local government entirely the right place to start.

We must ensure that collaboration takes place. The right hon. Member for Charnwood (Mr Dorrell) talked about collaboration between health and social care becoming the norm rather than the exception, as it is today. We need to increase local accountability for health care decision making. Yes, we also need to empower patients and provide more choice and more control. Through HealthWatch, a champion for patients and service users, we should make sure that the seldom heard, too, are heard in decision making.

Andrew George: My hon. Friend rightly makes much of the need to stop the top-down reorganisations of the past and to emphasise the importance of having patient-centred structures. In that light, if a local area preferred to graft in clinical engagement in the management of the existing PCT and greater patient involvement in the structure, would he accept that as an alternative to the sort of top-down reorganisation that the Government currently propose?

Paul Burstow: It will be very much up to the consortiums to decide how to configure their governance. What we have said is that this is about the devolution of power.

[Paul Burstow]

My hon. Friend was not against the devolution of power to the devolved Administrations in Scotland and Wales, yet this is about the same thing—shifting power away from this Front Bench and Whitehall and putting it back into the hands of patients and clinicians. Those clinicians will be engaged in commissioning, as we need them to be.

Much has been made of accountability. Under Labour, the NHS lacked it. The hon. Member for Kingston upon Hull North (Diana Johnson) really should reflect more on what was done under Labour, because there was a huge democratic deficit. We will have greater transparency and, through our new council health and well-being boards, genuine democratic accountability.

In the Labour motion before us today, it is wrongly claimed that the NHS has not been protected and that promises have been broken. The hon. Member for Hackney North and Stoke Newington (Ms Abbott) referred to the 1950s, but I would refer her to the 1970s, when Labour was busily cutting back—

Clive Efford (Eltham) (Lab): Will the Minister give way?

Paul Burstow: No. The hon. Gentleman arrived very late and was not in his place for much of the debate.

We heard a breathtaking attack from Labour Members who argued against ring-fencing. Indeed, just a few weeks ago, we heard the right hon. Member for Leigh (Andy Burnham) say:

"It is irresponsible to increase NHS spending in real terms within the overall financial envelope".

That was, and is, Labour's view—cuts to the NHS. That is not the coalition's view. That is why the NHS will get real-terms growth. Yes, it is a tough settlement; yes, there needs to be scope for increased productivity; and yes, management costs in the system need to be reduced. The Government, however, are determined to ensure that we reform the national health service, deliver the clinical engagement and deliver the change that will make the service better for our public. I urge the House to reject the motion.

Question put.

The House divided: Ayes 239, Noes 317.

Division No. 120] **[3.59 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Austin, Ian
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr Nicholas
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
Darling, rh Mr Alistair
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Donohoe, Mr Brian H.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Greatrex, Tom
Green, Kate
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Mr David
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Mr Tom
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hilling, Julie
Hodge, rh Margaret
Hodgson, Mrs Sharon
Hood, Mr Jim
Hopkins, Kelvin
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lewis, Mr Ivan
Lloyd, Tony
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McDonagh, Siobhain
McDonnell, John
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Mr Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Murphy, rh Mr Jim
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela

O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Paisley, Ian
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reynolds, Emma
Riordan, Mrs Linda
Ritchie, Ms Margaret
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, rh Mr Andrew
Smith, Angela
Smith, Nick
Smith, Owen
Soulsby, Sir Peter
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Walley, Joan
Watts, Mr Dave
Whitehead, Dr Alan
Wicks, rh Malcolm
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Wright, David

Tellers for the Ayes:
Lilian Greenwood and Jonathan Reynolds

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Bradley, Karen
Brady, Mr Graham
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burrowes, Mr David
Burstow, Paul
Burt, Lorely
Byles, Dan
Cable, rh Vince
Cairns, Alun
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clegg, rh Mr Nick
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Farron, Tim
Field, Mr Mark
Foster, Mr Don
Fox, rh Dr Liam
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Greening, Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Harvey, Nick
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howarth, Mr Gerald
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Hunter, Mark
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon
Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Lansley, rh Mr Andrew
Latham, Pauline
Laws, rh Mr David
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, Dr Julian
Liddell-Grainger, Mr Ian
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah

Nokes, Caroline
Nuttall, Mr David
O'Brien, Mr Stephen
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robathan, Mr Andrew
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rosindell, Andrew
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Shepherd, Mr Richard
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Teather, Sarah
Thurso, John
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Vaizey, Mr Edward
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Mr Shailesh Vara and Jeremy Wright

Question accordingly negatived.

Funding and Schools Reform

Mr Deputy Speaker (Mr Lindsay Hoyle): The time limit on speeches by Back Benchers will be seven minutes in this debate.

4.13 pm

Andy Burnham (Leigh) (Lab): I beg to move,

That this House believes that the Government is pursuing a reform agenda in education that represents an ideological gamble with successful services and has failed to honour the pledges made to deliver a pupil premium on top of a protected schools budget, and to deliver protected schools funding per pupil; is concerned that schools in deprived areas will lose out from the new funding mechanism; notes the unprecedented cuts of 60 per cent. to the schools capital budget, and is deeply concerned at the impact this will have on children, families and communities; supports empowerment of parents and their involvement in school planning but is concerned over a lack of accountability in the setting up of new schools under Government plans; is further concerned that this model will not represent efficient use of public resources in a time of austerity; disputes Government claims that these reforms are a continuation of Labour's successful reform agenda; and calls on the Government to work with families, teachers and communities to deliver improved standards of learning and teaching in all local schools.

We have just heard how the Government are preparing to take a huge gamble with our national health service, but the same is true in schools. In health and education we see the same emerging pattern in public service reform: a free market experiment brought in at breakneck speed with scant supporting evidence at a time of financial stress, and a real risk of good services being destabilised. There is a drive to atomise services and to unpick the fabric that holds together a successful NHS and the schools system in England. We can say what we like about the Department of Health, but at least it publishes a White Paper before rushing to reform. In education the ideological zeal is not constrained by the established processes of government.

Until recently, the Secretary of State has enjoyed a licence and latitude that other Ministers can only dream of: a big contract given to a former adviser without the troublesome requirement of a proper tendering process; a controversial education Bill rammed through Parliament in 62 days using procedures normally reserved for counter-terrorism; school building projects chopped in a casual and carefree manner, with inaccurate lists published day after day; and the services of experts who have given a decade of distinguished service to the cause of school sport dispensed with without even the courtesy of a meeting. Such things might be acceptable in the world of newspapers, but that is no way to run a Government Department.

Today, we are glad—I see that the Secretary of State is delighted, too—to give the House the opportunity to hold the Secretary of State and his Ministers to account. He has rushed into reform without listening to parents or to students and teachers and he needs to pause for breath and to take stock. First, I shall deal with the broken promises and the idea that schools are protected. Then, I shall challenge the Secretary of State's overall direction of travel, which I believe amounts to a dismantling of state education in England as we have known it.

So, let us start with where it all started to go wrong for the Secretary of State: Building Schools for the Future.

Mr Graham Stuart (Beverley and Holderness) (Con): The right hon. Gentleman is obviously going to explain why he thinks that the reforms proposed by the coalition Government are incorrect, but is he no longer one of the reformers on his Benches? If he is still a reformer, will he say, however briefly—I know that he quite rightly wants to focus on the Government—how he would seek to reform and improve an education system that lets down too many children?

Andy Burnham: As the hon. Gentleman sees more of his Government, he will perhaps come to understand the difference between real reform and reckless reform. Indeed, the House has just been hearing about the achievements of a reformed national health service under my watch and I can tell him that I am very proud of them.

Let me start with Building Schools for the Future and the charge that I lay at the Secretary of State's door. He has got into a mess and the allocation of capital is no longer driven by educational need but by ideology. Building Schools for the Future was a needs-led approach to the allocation of capital. Instead, he wanted to use capital as bait to lure schools into his new structural models, but then came the spending review.

Neil Carmichael (Stroud) (Con): Why were fewer than 100 schools rebuilt under Building Schools for the Future under the last Labour Government?

Andy Burnham: I do not know whether the hon. Gentleman has ever been to any of those schools, but if he has seen the transformation in those communities and the messages that the schools send to children in areas that have, frankly, been let down for decades, I am surprised that he rises to his feet to say that that investment is not worth making. Let us talk about his Government and the spending review arrangements that his Secretary of State has recently secured: minus 60%. Let us just think about that figure for a moment.

Just after the spending review, the *Financial Times* reported senior Whitehall figures chiding the Secretary of State for

"folding too early in negotiations over capital"

spending. The only shock for me on reading that was to learn that he had been negotiating at all. We know that he is courteous, and we like that about him, but minus 60%? I can almost hear him now, politely inviting George and Danny to fill their boots. Is 60% enough? Do they want more? I doubt that the Secretary of State has played much poker in his life—although he has his poker face on now—but, as with sport in schools, it gives a person certain life skills and I recommend it to him.

The average capital reduction across Whitehall was 30%. I would think that everyone in education could live with that. But double the punishment? How exactly does that minus 60% reduction meet the Secretary of State's "schools protected" claim?

Mr Dave Watts (St Helens North) (Lab): Is my right hon. Friend surprised at the Government's announcements, given the fact that the previous Tory Government spent nothing on schools? There are those of us who can remember tumbling-down buildings that leaked and needed the massive repairs that were put in by the Labour Government.

Andy Burnham: In the 1980s, I had the misfortune to go to a comprehensive school in my hon. Friend's constituency—a Merseyside comprehensive. It was not a great deal of fun. School sport had dried up and the buildings were appalling. It fills me with dread that my children will go to secondary school under a Tory Government. We on the Opposition Benches will campaign to ensure that another generation is not failed as others were.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): I am sure my right hon. Friend will not let this occasion pass without putting right the gross calumny against our Building Schools for the Future policy. It was not a school-building policy; it was a policy to let every local authority in our land have a vision of the transformation of education right across their community. That is what the Government are killing and that is why it is important to oppose them.

Andy Burnham: My hon. Friend is right. It was a new approach and we must give credit to my right hon. Friend the Member for South Shields (David Miliband), who said when he was a Schools Minister, "Let's do it differently—let's not give out capital in a piecemeal fashion." My hon. Friend the Member for Liverpool, West Derby (Stephen Twigg) is nodding because he was in the Department at the time. Our approach was to go to the places where aspirations were lowest and young people did not have a great expectation of what life might give them, and build the best possible learning environment. That is why we should not listen to the nonsense that is spoken from the Government Benches. Building Schools for the Future has transformed many communities. It could have done more if the Government had stuck by its needs-led approach to capital allocation.

The sad thing about the Secretary of State's negotiating failure is that it has direct and unpleasant consequences for schools and councils. Within hours of the Chancellor's sitting down, there were panicked phone calls asking for 40% cuts to projects that only weeks before had been approved by the Secretary of State as unaffected. Why? Because what was left of his capital budget was needed to push towards his pet projects—or as we should now more accurately say, his pet shop projects. The losers, yet again, are schools in some of the most deprived parts of the country: Sandwell, Birmingham, Salford, Leicester and Nottingham.

John Healey (Wentworth and Dearne) (Lab): And Rotherham.

Andy Burnham: I could go on. There are more.

Last week, I went to the Wodensborough technology college in Sandwell—a great school, battling against the odds. The Secretary of State is nodding, but he has not been to Sandwell. Since the summer, he has promised many times that he will go there, so I hope he is nodding because he will actually do so. When he was at his conference in Birmingham he was not far away. We hope he will go to Sandwell.

[Andy Burnham]

The college has been thrown into limbo by the 40% demand that is now being made of local authorities. After all the chaos to Building Schools for the Future that the Secretary of State caused in such authorities back in the summer, it is barely believable that he is coming back for another bite of their funding.

Mr Clive Betts (Sheffield South East) (Lab): Can my right hon. Friend imagine the reaction in schools in my constituency, such as Birley and Handsworth Grange? They heard the Secretary of State's announcement before the recess and believed that their school programmes would go ahead, yet in October, only a few weeks later, they were told to find a 40% cut in schemes that had already been designed. That does not merely destroy the aspirations and hopes of young people; it is ridiculous and a complete waste of money to have a school designed to such an advanced stage and then cut the programme at the last minute. People cannot find 40% efficiency savings at the drop of a hat.

Andy Burnham: My hon. Friend puts it well. Let us get to the facts. Those schools were told in the summer that they were unaffected. We can work out what "unaffected" means to most people, but the effect of what the Secretary of State has done by coming back for another bite is that he is asking schools in my hon. Friend's constituency to abandon their ambitions for their children so that the right hon. Gentleman can fulfil his ideological ambitions to give funding to whichever schools come asking for it because it ticks the box—it comes forward with the structural form of which he approves.

That is very wrong. Today, if nothing else, I want the Secretary of State to come to the Dispatch Box and honour a moral obligation, as he has just heard, to the 600 schools that he approved as unaffected. That must mean what it says. Let them get on without the requirement to make unwelcome savings. Instead, the phone calls from his officials have made them scrabble round for cuts. I heard that one school was thinking of stopping the purchase of all new furniture. Is that what the Secretary of State really wants schools to do? It is mean-spirited. I hope he will honour the commitments that he has made and let them get on and build a better future.

Mr Stewart Jackson (Peterborough) (Con): Can the right hon. Gentleman tell the House of any academic or empirical study which directly links the capital expenditure under Building Schools for the Future with enhanced educational attainment? If not, why does he think that that is the case?

Andy Burnham: It is depressing to hear such nonsense from the Government Benches after all these years. Is the hon. Gentleman saying to me that it is acceptable for a school to have leaking roofs or to have no playing field? Is he saying that office blocks are fine for schools? I disagree. I believe that we can do better for our children. If that is a call to cut off the funding to deprived authorities, he should be utterly ashamed of himself.

Ms Karen Buck (Westminster North) (Lab): Perhaps the hon. Member for Peterborough (Mr Jackson) could enlighten the House by pointing us to any private schools that have outside toilets and leaking roofs.

Andy Burnham: My hon. Friend makes the point. We should aspire to the best possible environment for every single child in this country. We should start where aspiration, expectation and ambition are lowest and transform what those children have. I remember a child in my constituency going into a new school and saying, "It's too good for us." That is what we need to challenge and break down. The depressing comments from the Conservatives show that they have no understanding of the message that the environment sends to a young person.

Bill Esterson (Sefton Central) (Lab): Aintree Davenhill primary school in my constituency is near where my right hon. Friend used to live. Phase 1 of the rebuild is nearly completed, but phase 2 is yet to be approved by the Government. If phase 2 does not go ahead, the children there will be left to learn in a corrugated iron hut, which is freezing at this time of year and boiling hot in the summer. Does my right hon. Friend agree that that is not the kind of facility in which our children should expect to learn?

Andy Burnham: It most certainly is not, although the Conservatives do not seem to mind, as far as I can tell. Such a facility is too good for our children, as far as I can make out.

Schools all over the country are in chaos because the Department promised a capital review to clear up the problems and give clarity to schools. Instead, schools all over the country are in limbo, waiting to hear. I hope they will hear some clarity from the right hon. Gentleman today. It is clear that he has made a mess of the capital budget, but I hope he will acknowledge today the anxiety in schools right now about revenue budgets for next year.

"Schools protected" was the headline that schools wanted on spending review day, but here is the second charge that I lay at the door of the Secretary of State: has he not raised expectations that he now cannot fulfil? As the Institute for Fiscal Studies said, when rising pupil numbers are taken into account, the "Schools protected" headline turns into a 2.25% real-terms per pupil cut. Further changes to funding may mean it is far worse for some schools. Specialist schools fear losing the extra money that comes with their status. I hope that today the Secretary of State may provide them with some clarity on that.

Steve McCabe (Birmingham, Selly Oak) (Lab): Can there be any worse con perpetrated on parents than the cast-iron guarantee that the Lib Dems and the Secretary of State gave on the pupil premium? Is not that a classic example of a promise that did not last until the ink had dried?

Andy Burnham: My hon. Friend anticipates me, because that is precisely the issue that I was about to come on to.

The big issue facing all schools is the effect that the pupil premium will have on their budgets. The rush to bring in this new system could cause real volatility in budgets. I hope that the Secretary of State will tell us how he is planning to avoid that. It happened to us when we made changes to school budgets; these things need to be done carefully. We acknowledge that problems can arise, but I hope that he will give me, and schools,

some reassurance that the Department will have measures in hand to protect schools from very marked swings in their budgets.

As I told the House on Monday, experts are predicting that schools in the most deprived parts of the country stand to be the biggest losers from the much vaunted pupil premium—amazing, given all the claims made for it by the Liberal Democrats, but, it would seem, true. Today I visited a secondary school in Walthamstow which, by any measure, faces some of the biggest challenges of any school. It has double the national average of pupils on free school meals and with special educational needs. It is very important that the House hears what the pupil premium might mean for them—might mean, because we do not know yet. The school estimates—*[Interruption.]* I do not know what the Minister of State, Department for Education, the hon. Member for Brent Central (Sarah Teather), is chuntering about. This is coming directly from schools. If she listens to this, she might be able to change things and do something about it. The school estimates that it is set to lose hundreds of thousands of pounds under the pupil premium. That is supported by the IFS, which has calculated that the pupil premium could be 2.5 times higher in Wokingham than in Tower Hamlets. It says that schools in more deprived areas would receive noticeably less in percentage terms than similarly deprived schools in less deprived areas.

May I ask Liberal Democrats to examine their consciences before final decisions are made on this issue? Is this really the effect that they wanted for their pupil premium—to take money off kids for whom life is already hardest?

Dan Rogerson (North Cornwall) (LD): I have been listening closely to the right hon. Gentleman's comments about what may or may not be in the pupil premium based on the suppositions that he is making. After more than a decade of his Government, pupils in my part of the country were getting much less than the national average despite its having the lowest wages in the country. What did his Government do about that when they had the chance? At least the pupil premium is an attempt at a better suggestion.

Andy Burnham: The hon. Gentleman cannot say that the Labour Government did nothing for education funding in Cornwall—that is an astonishing claim. I hope that he accepts that the needs of schools vary in different parts of the country. I am not arguing that we had perfection, but we did take steps to improve funding for schools all over the country.

Let me deal, right now, with what the pupil premium will do to schools, including those in the hon. Gentleman's area.

Clive Efford (Eltham) (Lab): We hear a lot about fairness from this coalition. It would be completely unfair if a school in a deprived area were to miss out in order to shift money to another school in another area. We should not be playing one school off against another. Should we not hear from the Secretary of State that there will be a minimum by which no school will miss out, and that the pupil premium will be additional money that does not come at the expense of other schools?

Andy Burnham: My hon. Friend has made a very important point. I have invited the Secretary of State to set out how he will ensure that no school sees a huge loss of funding to the pupil premium, with that then causing a problem in terms of service continuation.

As I said, I ask the Liberal Democrats to examine their consciences, and I got the impression that the hon. Gentleman was thinking about it. If they do not, for goodness' sake they should speak up and show that they have some influence in the Government. They should speak up for the kids in the school that I went to this morning. We need to hear their voice to ensure that the pupil premium is what we were told it would be. At the moment, it is nothing more than a con.

The real trouble is that we do not have a new and additional pupil premium at all. The danger for the Liberal Democrats is that this issue goes to the very heart of the politics of the coalition. In the post-election talks with Labour, the right hon. Member for Yeovil (Mr Laws) told my right hon. Friend the Member for Morley and Outwood (Ed Balls) that he had secured from the Conservatives a pupil premium additional to a schools budget protected in real terms. Let there be no debate about that—that was what the Liberal Democrats said they had secured.

The Minister of State, the hon. Member for Brent Central, told the House many times that that would indeed be delivered. Well after the coalition talks, on 7 June, she told us that it would involve

"substantial extra money from outside the education budget."—[*Official Report*, 7 June 2010; Vol. 511, c. 15.]

That was meant to be the Liberal Democrats' big win, and it was paraded as the consolation prize on the day of the tuition fees announcement. The painful truth for them is that they have failed to deliver it. They have been chewed up and spat out by the Tories. We are now looking at a pupil premium that will take money off her constituency in Brent, where more than 20% of kids are on free school meals, and give it to the Secretary of State's constituency in Surrey, where less than 10% of children receive them. That Liberal Democrat fig leaf of credibility for staying in the coalition has been snatched away.

Because the education budget is not rising—it is falling in real terms—the pupil premium is simply a relabelling of existing funding. There will be more losers than winners. The IFS estimates that 60% of primary school children and 80% of secondary school children will be in schools whose real budgets are cut. On the day when the budgets for those schools land, the "Schools protected" spin will be wearing very thin indeed.

The problem with this ministerial team is that they simply have not got a grip on the detail. They simply do not know what the changes will mean for schools. However, the situation is still worse than that. They are also obsessed with costly, untested structural reform. That lethal combination of incompetence and ideology is toxic for our schools. The Government's preoccupation with structures risks a loss of focus on standards. Under Labour, school standards rose year on year, with some of the highest ever results at every stage and the best ever results this year in GCSEs and A-levels. In 1997, half of all schools fell below the basic benchmark of 30% of students getting five good GCSEs graded A to C. *[Interruption.]* I hear Conservative Members

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speaking up, but those were our schools and our children in our constituencies that were being failed. Many children were leaving school without any hope of a better life—that was the reality.

Guy Opperman (Hexham) (Con): Is it not accepted that in science, for instance, the UK has gone from fourth to 14th position? In literacy we have gone from seventh to 17th, and in mathematics from eighth to 24th. That has to mean we have less, not more.

Andy Burnham: I must say, the hon. Gentleman's literacy was very impressive there when he read the Whips' handout. He almost read it word for word, and he did not have any help.

The hon. Gentleman cannot deny the figures that I have just read out, which show a transformation in our secondary schools. Half of schools were not achieving the basic benchmark in 1997, but today it is fewer than one in 12. Just think how many thousands of kids have hope of a better life because of that transformation in our schools, particularly in our most deprived communities.

Andrew Percy (Brigg and Goole) (Con): I will tell the right hon. Gentleman what the reality was in some of the most deprived schools, because I was teaching in some of them. Children were forced on to courses that they did not want to be on simply to shove up standards, and the gap between the best and worst-performing schools widened over Labour's time in office. The reality is that in the area in which I used to teach, children are less likely to progress socially than those from schools elsewhere. Statistics and figures are one thing; the reality is something very different.

Andy Burnham: The reality is very different. Is the hon. Gentleman really saying that head teachers and teachers in primary schools in his constituency would say that there has been no change in primary schools in the past 10 years? Is he really saying that secondary schools have not improved? The figures tell us what has happened. Am I saying, "It's all perfect"? No, I am not, because more needs to be done. We turned failing schools into good schools and I am very proud of what we as a Government achieved for some of the most deprived children in our country.

It is encouraging that the right hon. Gentleman told the national children and adult services conference recently that he will set new minimum standards for schools—we welcome that continuation of Labour's successful national challenge programme— but he is about to take huge risks with all the progress that we made. One area on which we should both agree is that excellent teaching is the surest route to the highest standards.

It was with some surprise that I heard the Secretary of State confirm to the House on Monday that his free schools will be able to use public money to hire whomsoever they like to teach, with no teaching qualification requirement. When he took up the job, he said that teachers should have a good 2:1 degree. He should be consistent in this important area: investing in our teacher work force is of fundamental importance to good school standards.

Mr Pat McFadden (Wolverhampton South East) (Lab): My right hon. Friend mentioned the record of higher standards under the Labour Government. Like me, I am sure that he welcomes the fact that young people from the poorest areas are 30% more likely to go on to higher education than they were five years ago. Does he agree that not only higher standards but education maintenance allowances played a significant role in encouraging people to stay on at school, perhaps for the first time in a family? What will be the effect of the Government's plans to abolish education maintenance allowances?

Andy Burnham: I am glad that my right hon. Friend raises that issue. I will spend a moment on EMAs. As we heard at education questions on Monday, the EMA is the subject of huge concern among Labour Members. It is feared that it will be pared back or, worse, taken away.

The Secretary of State is good with words and is good at making big commitments, but I want to see some follow-through—I want him to stand by what he says. Young people will look to what he or I say, so that they can have trust in politics and in this place. In an interview in *The Guardian* on 2 March—just before the election—he said:

"Ed Balls keeps saying that we are committed to scrapping the EMA. I have never said this. We won't."

The Secretary of State for Education (Michael Gove) *indicated assent.*

Andy Burnham: The right hon. Gentleman nods, because he obviously acknowledges the veracity of the quote. Why is such a move acceptable now? Before the election, he made that statement to the young people who receive EMA, some of whom might be watching these proceedings. What are they to make of such a statement? It sounded commendably clear before the election, but now that crucial support is being removed. Throughout Education questions on Monday, his Minister spoke in an offhand way of the dead-weight cost of EMA. If I understood him correctly, he meant that 90% of young people would have gone into post-16 studies anyway. For young people who come from homes where incomes are low and do not have much support, this allowance can mean the difference between having to get a part-time job or having to walk to college because they cannot afford the bus fare. The EMA allows them to focus on their studies, which gives young kids from backgrounds where life is hardest the chance to exceed expectations and excel in further and higher education. When I heard the Minister on Monday, I did not feel he had any appreciation of the fact that the EMA makes it easier for those young people to fulfil their potential and be the best that they can be.

Rushanara Ali (Bethnal Green and Bow) (Lab): Since 2004, more than 22,000 people in Tower Hamlets, where my constituency is, and nearly 500,000 people across London, have received the EMA. Only last night, a constituent, who is now reading law, told me that he could not have studied without the EMA. Does my right hon. Friend agree that, throughout the country, those on low incomes will be prevented from taking up higher education places if the matter is not reconsidered? I make a plea to the Government to think again.

Andy Burnham: My hon. Friend makes a powerful point. Labour Members have been struck by the concern among young people about the EMA. Taken with the tuition fees announcement, the one on the EMA is having a depressing effect on the aspirations of young people who have least. That is the great worry about what is happening. I hope that the Secretary of State has heard my hon. Friend's words.

Mr David Lammy (Tottenham) (Lab): Given those young people's anxiety and the increase in tuition fees to £9,000, does my right hon. Friend think it acceptable that the schools Minister seems happy to sit using her BlackBerry?

Andy Burnham: That is not acceptable, nor is it acceptable to chunter and object throughout when many of the points that have been made should be listened to. My right hon. Friend the Member for Tottenham (Mr Lammy) did so much work on the EMA and on lifting young people's hopes in constituencies such as his.

We must also take into account the changes in child benefit for families with a higher earner because, although they may not be eligible for the EMA, some give the child benefit to the young person in further or higher education, which helps young people get through. The removal of child benefit will further damage staying-on rates.

Mrs Anne Main (St Albans) (Con): I am interested in the right hon. Gentleman's comments about the EMA. Will he give me some statistical evidence that directly relates improvement in educational attainment to the EMA?

Andy Burnham: I am looking through my notes—I do not want to cite the wrong figure. There is evidence that 18,500 young people stayed on at school who would not have done so without that financial support. That means 18,500 young people with the hope of a better life because of the EMA. Why do the Government want to abolish it? I am lost for words.

Ian Mearns (Gateshead) (Lab): If Government Members are looking for evidence, a collection of college principals in north-east England wrote to me asking me to point out to the Government at every stage the real dangers that they perceive to youngsters going into further education from the abolition of the EMA. That applies across the board in the north-east.

Andy Burnham: There is evidence, so we will write to the hon. Lady with it. There is supposedly a successor scheme, but, if the Government are to replace the EMA, will she and others on the Government Benches ensure that it is with something that gives young people some hope? If the proposal is simply to cut support to the poorest, she will set back the cause of opportunity for all in this country.

Alison McGovern (Wirral South) (Lab): If my right hon. Friend is looking for evidence, I suggest the case of one young woman in my constituency whom I helped during the election campaign. She came to me, worried about her EMA, which she had trouble getting from the school. I helped her with the head teacher. I later found out that she was the sole carer for her mother, who was blind. She would have gone to school anyway, because she was utterly determined, but the EMA gave her and her mother a quality of life that they did not know previously.

Andy Burnham: Listening to the responsible Minister on Monday at Education questions, one would have come to the conclusion that he had no appreciation at all of the effect the EMA could have on a young person's life in those circumstances. I said that the Government should listen to students. I hope that they will, and that they will meet some young people who currently benefit from the EMA such as the person about whom my hon. Friend just spoke. The EMA is a lifeline. For young carers, who have been in the news this week, it represents the hope of a better future, and I hope that the Government will not wipe away their hopes and dreams.

Mr Sheerman: One of the big consultancies—I believe it was PricewaterhouseCoopers—conducted a full evaluation of the relationship between the EMA and improvements in rates of staying on and entering university, and in evidence given earlier this year to the Children, Schools and Families Committee, which I chaired, made it clear that that relationship was very positive.

Andy Burnham: I hope that the Government will take account of my hon. Friend's point because there is good evidence to show that the policy has been a success and is helping many more young people stay on in education and achieve.

Mr Watts: Is my right hon. Friend as depressed as I am about the fact that the Government seem to be saying that financial assistance to families does not matter, the poor state of school buildings does not matter and the overall funding package for education does not matter? What seems to matter is that both the Liberals and the Conservatives are determined to cut education spending and push people back into deprivation.

Andy Burnham: That is the inference that people will draw. There is an obsession with structures, not with standards or with helping young people to be the best they can be. I would like to hear the Secretary of State talk a little more about that and a little less about free schools and whatever structural ideas he is dreaming up. Let us focus on standards and on the aspiration of kids from a working-class background. Let us give them some hope rather than introducing organisational reforms that may or may not offer them anything. That is the problem the Secretary of State is facing.

Steve McCabe: I would like to help the hon. Member for St Albans (Mrs Main), who asked about the EMA. Did not the Institute for Fiscal Studies publish a report showing a rise of six percentage points in the number of EMA recipients getting level 2 qualifications? That is hardly a Labour party assertion, is it?

Andy Burnham: Not at all, and the report also showed specific improvement among groups who have traditionally under-achieved in post-16 education. The Government seem to be saying that this evidence is simply to be disregarded because a political decision has been made. At times, I get the feeling from this Government that if

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a reform was introduced by Labour, they just want to wipe it away, even if it was successful. They want to do something different. *[Interruption.]* Well, we shall talk about school sport in a minute, and I think they are also guilty of the charge on that issue.

Nic Dakin (Scunthorpe) (Lab): Evidence from the IFS and the CfBT Education Trust clearly demonstrates that the EMA has benefited students. As a former principal of a sixth-form college, I have seen the impact on students. We did our own evaluation, which showed higher attendance among students on the EMA than among those who were not, and a direct correlation between their attendance and attainment.

Andy Burnham: My hon. Friend makes an important point. His experience matches exactly that of my brother, the vice-principal of a sixth-form college in St Helens. The change to EMA needs to be looked at alongside potential changes to the funding of post-16 education—the funding available to sixth-form and FE colleges—because it could have a very damaging effect. There is also a rumour—I do not know whether it is true—that people will no longer get free A-levels beyond the age of 18. Will the Minister for Further Education, Skills and Lifelong Learning address that point today? All those proposals will combine to take away opportunities.

Damian Hinds (East Hampshire) (Con): Will the right hon. Gentleman give way?

Andy Burnham: I am now going to wind up my remarks. Some of the hon. Gentleman's colleagues will be happy about that, even if he is not.

The Government's policy is an ideological gamble. Schools will be able to use money to employ whomsoever they like, even if that person has no qualifications, in any premises, which, as we have heard, might include converted prisons, bingo halls, hairdressers and pet shops.

What guarantees do parents have that the Secretary of State's free schools will have the highest standards? What guarantees do they have that they can hold those schools to account if they do not meet such standards? The truth is that free schools are a risky ideological experiment being pushed through at speed with a lack of reliable evidence. Is not there a real danger that one person's decision to create a free school will undermine existing good provision in an area and a school's ability to improve?

Should not access to safe outdoor space and sports facilities be a right for every single child?

Mr Andy Slaughter (Hammersmith) (Lab): My right hon. Friend will know that I have the misfortune that the local authority in my area is one of the ideological dustbins of the Conservative party. It adopts all these initiatives, so we have three of the 16 new free schools, but there are no suitable sites for them. Existing community organisations are being evicted from their premises so that a few free schools can take them over, despite the fact that their catchment areas are outside the borough and the area. How is that localism or parent choice? Is it not the triumph of ideology over education standards?

Andy Burnham: I had the good fortune to meet head teachers from my hon. Friend's constituency very soon after I came into this job. They told me how that cluster of free schools could undermine other local schools. I am at a loss, and I wonder whether the Secretary of State can help me. Why is a school specialising in Latin exactly what Acton needs? I am yet to be persuaded that that is the best route for modern education in west London.

I mentioned outdoor space. A good example of schools achieving more together than they can alone is sport. School sports partnerships are a wonderful example of schools working together. The Australians have described our system as world class. I urge the Secretary of State to think again on that. School sports partnerships, which created a new delivery system for school sport, have worked well and given more opportunities to young people. I hope that he is open to the arguments of Darren Campbell and others who are pleading with him to keep that infrastructure rather than dismantle it.

My worry is that in the long term the free school experiment will lead to a much more segregated schools system—a splintered system in which narrow social groups impart a narrow world view. Are we heading towards an unaccountable free-for-all in our local education systems? Experience in Sweden suggests that the Secretary of State's schools will have a negative impact on standards.

Graham Evans (Weaver Vale) (Con): Will the right hon. Gentleman give way?

Andy Burnham: I will not.

I have never heard how that negative impact will be addressed in the Secretary of State's world view, in which schools are free to fail. I am worried that he is creating a world where each school exists within a walled garden, with no obligation to other schools. The local authority co-ordinating role is important, and I cannot see why the Government want simply to wipe it away with a national funding formula. Local authorities look out for the needs of all children within an area, including the vulnerable and the voiceless. Who will speak up for them in his brave new world?

My vision is of a truly comprehensive education system, in which there is diversity of provision, and in which we help all children to be the best that they can be. I want a collaborative rather than a competitive system, and I want all schools to recognise their obligations to each other. I am worried that the Secretary of State is creating an elitist education system.

We fear that Sure Start centres are about to close, and we heard today that the pupil premium will take money from some of the most deprived communities in our country. We have just had a debate on how the Government's policy on EMA could depress aspirations, particularly those of working-class kids. We have heard that the Secretary of State, in closed meetings in Westminster, has nodded and winked to the effect that his foot is hovering over the pedal when it comes to allowing more selection and allowing grammar schools to use the free school route to set up more grammar schools. He needs to come clean on those things. Does he want to create a more elitist system, where opportunities exist for the few but not the many?

That is the Opposition's critique of the Secretary of State. We have had broken promises and free market reforms with no evidence, and there is a whiff of elitism in everything the Department introduces. That spells danger for our schools. We need a plan not just for some schools, but for all schools. That is what our motion is about, and I commend it to the House.

4.59 pm

The Secretary of State for Education (Michael Gove): May I offer a few words of heartfelt thanks to the shadow Secretary of State? Today we announced a radical extension of academy freedoms for many more schools, allowing weaker schools to be supported by stronger schools, in a culture of collaboration that drives up standards for all. This afternoon, in No. 10 Downing street, I, along with the Prime Minister, met hundreds of head teachers in the state system who have taken advantage of academy freedoms to drive up standards not just for their children, but for others in their local areas. After that morning good-news announcement and that afternoon celebration, I ask myself: what could we do to top it? I am so grateful to the right hon. Gentleman for giving me this opportunity to explain to the House of Commons the radical, comprehensive reform programme that we are introducing that will help to transform opportunity for the very poorest.

Several hon. Members *rose—*

Michael Gove: There are three Opposition Members who are eager to intervene. It is difficult to know to which of these young lads I will now give the opportunity to shine.

Mr Watts: May I suggest that the right hon. Gentleman go to Specsavers?

The Secretary of State has said that he has met a group of head teachers from academies. Will he meet the other hundreds of head teachers who are desperately waiting to see whether their schools will be modernised and the holes in their roofs fixed? Will he be as keen to meet them as he has been to meet the academy heads?

Michael Gove: I am always keen to meet head teachers, and the more head teachers I meet, the more I find that they say the same things: that under this Government, they are at last being treated properly. At last, in the words of Mike Spinks, a head teacher from Stretford and Urmston, the baseball batting of bureaucracy has ended. At last, in the words of Patricia Sowter, a head teacher from the Labour constituency of Edmonton, head teachers are being given the opportunity to do what they have always done, which is to stress the importance of helping the very poorest. At last, in the words of Sir Michael Wilshaw, a head teacher who teaches in the Labour constituency represented by the hon. Member for Hackney North and Stoke Newington (Ms Abbott), we have a Government who are on the side of extending academy freedoms. I talk to head teachers all the time. When I do, the one thing I say to them is: "You've got a Government who're on your side," and the one thing that I hear from them is: "At last."

Mr Chuka Umunna (Streatham) (Lab) *rose—*

Michael Gove: Later.

The right hon. Member for Leigh (Andy Burnham) asked whether I played poker. I have to confess that when I was growing up and learning card games, poker was somewhat frowned upon at the Kirk socials that I attended, although we did play the odd game of knockout whist. One of the things that I learned in card games is that one has to play the hand that one is dealt. What was the hand that we were dealt by the right hon. Gentleman and his colleagues? Credit agencies ready to downgrade our debt; a £150 billion deficit; and a letter, left by the former Chief Secretary to the Treasury, saying that there is no money left. I know that that is painful for Opposition Members to hear, but it is even more painful for the people in our school system who have been let down by the profligacy, arrogance and extravagance of a party that still does not have the humility to say sorry for debauching our finances.

Mr McFadden: The Secretary of State mentioned the academy programme. I am a supporter of the academy programme that the Labour Government introduced. It gave hope and higher standards to children who had not been given the opportunities that they deserved under what went before. Earlier this year, he issued his list, which said that the Building Schools for the Future programme in the city that I represent would be unaffected by the changes, and that programme includes two city academies, one of which is in my constituency. However, they are now being told that there will be a cut in that programme of up to 40%. How can he say that the programme is unaffected and that that will not have an impact on opportunity for those children who need it most?

Michael Gove: I am grateful to the right hon. Gentleman, for whom I have a great deal of respect. He was a very good Minister, and it is a pity that he is not on the Opposition Front Bench now. I absolutely share his commitment to improving academy provision, not just in the west midlands, but across the country. I can reassure him that all those schools that were recorded as being unaffected will have their building work backed. The money will be there, but we have a duty, to both the taxpayer and those schools, to ensure that when we negotiate with the contractors—with the private sector—we get the best possible value for money. The more money we can save in our negotiations with contractors, the more we can invest in education elsewhere to ensure that the many, many school buildings that are in a state of dilapidation and extreme need receive additional support. I know that the right hon. Gentleman—when he was a Minister, he always sought to secure value for money for taxpayers—will appreciate that that tough negotiation on behalf of the public is exactly what a responsible Government should do.

Hon. Members know that education standards should not just be measured against the past. Countries across the globe are improving relative to the past. We need to measure ourselves against the best in the world. As my hon. Friend the Member for Hexham (Guy Opperman) said, the grim truth is that the statistics produced by the OECD show that over the past 10 years, educational standards in this country, relative to other nations, have fallen. We have moved from being fourth in the world for the quality of our science education to 14th, from seventh in the world for the quality of literacy to 17th, and from eighth in the world for the quality of mathematics

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to 24th. Those are facts that we cannot deny. At the same time as we have fallen behind other countries, the gap between rich and poor, as my hon. Friend the Member for Brigg and Goole (Andrew Percy) said, has grown wider.

In the last year for which we have figures, the number of children who were eligible for free school meals, bearing in mind that every year 600,000 children attend state schools, was 80,000, of whom just 45 made it to Oxbridge—*[Interruption.]*. It is absolutely the measure. The right hon. Member for Leigh might not like to hear it, but on his and his Government's, watch the poorest children were denied opportunity. He made it to Cambridge; why should not more children from poor homes make it to Cambridge and Oxford? Why do children from Westminster, St Paul's, Eton and such bastions of privilege make it to Oxford and Cambridge but not our poorest children in state schools? This Government—the Conservative party and the Liberal Democrats united together—are at last investing in social justice, and I hope that the right hon. Gentleman will acknowledge that that figure is a scandal and that at last the investment is going in to secure reform.

Andy Burnham: I am grateful that the Secretary of State acknowledges that I have some knowledge of these matters. He lays all the blame for that figure at the door of the school system in England. Why does he not place any of the blame at the door of Cambridge university and Oxford university? Is he saying that there is no talent in state schools?

Michael Gove: The talent is there, but such children do not get in because they do not have the opportunities that they deserve. The school system has failed them. They do not get in because in the school system children from poorer homes fall behind their wealthier compatriots at every step of the way. At key stage 1, the gap grows wide; at key stage 2 it grows wider still. Children from wealthy homes are twice as likely to get five good GCSEs as those who are eligible for free school meals. That is entrenched inequality in our school system. The Labour party had 13 years; they did not take action, and now they blame others instead of taking responsibility.

Andy Burnham: I am disappointed that the Secretary of State lays all the blame at the door of our schools. When I went to Cambridge in the late 1980s, the proportion had just changed, and the majority had just become children from state schools at 51% with 49% from the independent sector. The figures today are around 55% from state schools, 45% from the independent sector. I am not saying that schools cannot do more to encourage the highest level of aspiration, but is he saying that the Russell group and the most elite universities in our country can do nothing more to open their doors and to operate less elitist admission policies?

Michael Gove: The right hon. Gentleman is taking no responsibility for what happened on his watch, for the inequality in the school system, and for taking no steps to deal with the mess that was left to us. We are the party that is saying to Russell group and elite universities that they must do more to ensure that talented children can go to top universities. Unfortunately—this is a fact that he cannot run away from—social mobility went backwards on his watch. This country is less equal as a result of a Labour Government. There were 13 years of shame and 13 years of hurt, and the Labour Government were responsible.

In place of the Labour Government's failure, we are introducing a wide range of reforms, all of which are based on best international practice and all of which have been proven, in other nations, to drive up standards. We are ensuring that we learn from all the best performing education nations. We are improving teacher recruitment and training. It is our Government, not theirs, who have doubled the number of students entering Teach First, to ensure that we have top graduates going into the most challenging classrooms. It is our Government, not theirs, who have changed the rules on discipline and behaviour to provide teachers with stronger protection and to ensure that we no longer have the absurd situation in which teachers have to wait 24 hours before issuing a detention to an unruly pupil. It is our Government, not theirs, who are changing the national curriculum and introducing an English baccalaureate to ensure that all students, from whatever background, have access to an academic core by the age of 16.

It is our Government, not theirs, who are reforming key stage 2 tests to ensure that all students have accurate information on their progress at primary school, and that we end the damaging "teaching to the test" that has characterised those tests in the past. It is our Government, not theirs, who have given head teachers in all schools the degree of autonomy and independence for which they yearned for 13 years. So it is unsurprising that, in the 37 minutes of the right hon. Member for Leigh's speech—[HON. MEMBERS: "Forty-seven!"] Forty-seven? Just see how numeracy went down on Labour's watch. In the 47 minutes of the right hon. Gentleman's speech, there was not a single new idea on how to improve our state education system. He is an IFZ: an ideas-free zone. Those beautiful eyelashes might flutter, but behind them there is a dusty plain where a single idea has yet to take root.

Several hon. Members *rose*—

Michael Gove: Talking of beautiful eyelashes, I am happy to give way to the hon. Member for Streatham (Mr Umunna).

Mr Umunna: I find it quite extraordinary to hear the Education Secretary's comments about increasing the participation of people from deprived backgrounds, in the light of his reforms of higher education financing. Can he tell us how introducing tuition fees of up to £9,000 will increase the participation in higher education of people from deprived communities—*[Interruption.]* The right hon. Gentleman has been talking about Oxford and Cambridge, and other universities, and he should answer my question.

Michael Gove: The debate today is about schools, not about higher education. However, I would be delighted to have a debate about higher education. It would be interesting to know who would represent the Opposition in such a debate. Would it be the Leader of the Opposition, who believes in a graduate tax, or the shadow Chancellor of the Exchequer, who denounces such a tax? Would it

be the right hon. Member for Wolverhampton South East (Mr McFadden)—who is no longer in his place—who backs the Browne reforms, or would it be the hon. Member for St Helens North (Mr Watts), who opposes them? The truth is that, on higher education, there is a split in the Labour party as wide as the River Jordan between those who are genuinely progressive and back our reforms and those who are regressive and oppose them—*[Interruption.]* Hon. Members ask who introduced tuition fees. The Labour party did that, and in so doing, broke a manifesto promise—*[Interruption.]*

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. I must remind hon. Members that this is a debate on schools, and not on higher education. I am sure that the Secretary of State would not want to open up another debate.

Several hon. Members *rose—*

Michael Gove: I shall give way to my hon. Friend the Member for Peterborough (Mr Jackson).

Mr Stewart Jackson: I hesitate to derail my right hon. Friend's peroration, but related to his point about the badge of shame and ignominy attached to the record of the last Labour Government is the number of children in care and the fact that the educational attainment of the most vulnerable in society actually went backwards under their time in office. Should not those on the Labour Front Bench hang their heads in shame about that?

Michael Gove: My hon. Friend makes a very good point. His commitment to looked-after children and children in care has been consistent, both before he entered the House and now that he serves with such distinction here. One of the reasons that the Under-Secretary of State for Education, my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton) is taking such pains to change the rules on, for example, adoption and to work with looked-after children is that the vulnerable and the voiceless need our support. I hope that the efforts that we are all making to ensure that they enjoy a better future will be backed across the House.

Fiona O'Donnell (East Lothian) (Lab): If the right hon. Gentleman is really serious about increasing social mobility, will he explain how the double whammy of getting rid of the child trust funds and the education maintenance allowance will achieve that?

Michael Gove: We are increasing social mobility by reforming our school system. Let me mention one striking thing about the changes we are making. According to the right hon. Member for Leigh, these changes are an ideological experiment, so who is backing these changes? Who are the extremists who support what the Government are doing? Who are the figures with whom we are ashamed to be associated, who are saying that our ideas are right? Well, what about Arne Duncan, Education Secretary in Barack Obama's Administration? The other week, he said:

> "I just have tremendous respect for the educational work and the leadership that I've seen coming from the UK and we're all working on the same issues and have the same challenges."

He also said that the coalition Government were

> "pushing in all the right areas"

on education policy. He said that I am

> "working very, very hard, and I love his sense of urgency, I love his willingness to challenge the status quo when things are not working".

So we are backed by Barack Obama. *[Interruption.]* It was his Education Secretary, but we all know that he speaks for the President.

Talking of international statesmen—*[Interruption.]* Not Toby, but Tony—Tony Blair. The former Prime Minister, who knew about winning elections and how to lead the Labour party to victory, wrote:

> "In many areas of domestic policy, the Tories will be at their best when they are allowed to get on with it—as with reforms in education."

We shall come back to some striking things about the former Prime Minister's words. I remember when the right hon. Member for Leigh was a Blairite—although that was before he was promoted by the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), but there we are. *[Interruption.]* Oh, yes, he was one of the plotters, but we will come back to that later. It is striking that the arguments that the former Prime Minister made at every stage in favour of educational reform are now rejected by the Opposition. In 2005, Tony Blair said:

> "In our schools... the system will finally be opened up to real parent power... All schools will be able to have Academy style freedoms... All schools will be able to take on external partners. No one will be able to veto parents starting new schools or new providers coming in, simply on the basis that there are local surplus places. The role of the LEA will change fundamentally. There will be relentless focus on failing schools to turn them round... schools will be accountable not to government at the centre... but to parents, with the creativity and enterprise of the teachers and school leaders set free."

I agree with those words, but I do not know whether the right hon. Member for Leigh does, as he opposes every single one of the points made in that quote. He opposes extending academy-style freedoms to all schools. He wants to veto parents from starting new schools. He does not want the role of the local authority to change fundamentally, and he does not want the creativity and enterprise of teachers and school leaders set free. Why is that? Why are the real conservatives now sitting on the Opposition Benches?

Mike Gapes (Ilford South) (Lab/Co-op): What safeguards are there against extremists, including Islamists and creationists, setting up free schools?

Michael Gove: As the hon. Gentleman will know, I have a consistent record of opposing Islamic extremism. One thing we have done is to set up a new due diligence unit within the Department in order to ensure that the threat of extremism—not just from anyone who might wish to promote a free school, but from anyone who wishes to infiltrate our state school system—is dealt with. The hon. Gentleman will be aware that in both Surrey and Birmingham there were genuine dangers due to extremist influence in state schools. I take the issue very seriously and I am delighted to work with others such as the hon. Member for Birmingham, Perry Barr (Mr Mahmood) in helping to counter it.

That brings me to another key point on which I agree with Tony Blair—no slouch when it came to opposing Islamist extremism. If we automatically assume that any parent who believes it is right to set up new schools

[Michael Gove]

is an extremist, we are saying to the overwhelming majority of people in this country who want better state education, "I am sorry; you are outside the mainstream."

Chris Bryant (Rhondda) (Lab): The Secretary of State refers to deprivation and how to tackle it. He will know that the inheritance of teenage pregnancy is an issue that affects deprivation and the poverty of ambition of many families. If we look at the map of teenage pregnancy in this country, we see that it is also the map of deprivation. I acknowledge that we did not have complete success on this issue, although we had partial success. We cut the numbers. They had risen dramatically under Mrs Thatcher's era. They fell in ours, but not as much as we would have liked. I think that was partly because we did not learn the lessons from countries such as Holland—where the figure is five times lower than it is in this country—and introduce statutory sex and relationship education. Will the Secretary of State think again about his opposition to that?

Michael Gove: The hon. Gentleman has been a consistent proponent of better sex and relationship education, but I have to tell him that it is a statutory part of the present curriculum. The critical question is how we can improve the quality of guidance and the quality of teaching. The hon. Gentleman is passionate, and in this respect his passion is in a good cause, but I fear that he has got his facts wrong. Sex and relationship education is already compulsory; personal, social and health education, which is a broader issue, is not yet compulsory in the national curriculum. Now that I have cleared up that confusion on the hon. Gentleman's part, I hope that we can work together to ensure that our sex and relationship education reflects 21st-century values. I have been delighted to work with Liberal Democrat colleagues to achieve just that.

I have quoted politicians who back our reforms, but it is important for us to hear from teachers as well. I mentioned head teachers earlier, but let me run through what some are saying about coalition policies. These are head teachers who have taken advantage of the changes that we have made: changes that the right hon. Member for Leigh said had been introduced in a rush, and were ill-conceived and ideological.

Headmistress Lesley Grace, of Seaton primary school in Cumbria, says that as a result of our changes

"we can be totally focused on our age group and our community... we can target resources to employ specialist staff, such as speech and language therapists or reading intervention specialists."

The school could not do that before.

At Durand primary school in Stockwell, London, 52% of pupils are eligible for free school meals. What does the head teacher say when he thinks about how to improve outcomes for those poor children? He says:

"Academy status does give us greater freedom to deliver an even more bespoke education, tailoring it to the needs of our specific intake."

He says that the school is giving more

"time and space in the curriculum back to subjects like sport and music, the importance of which have been lost over recent years."

What about Patricia Sowter, headmistress of Cuckoo Hall school in Enfield, whom I mentioned earlier? She says that academy status enables her to invest more in

"training, development and non-contact time for senior teachers."

Jonathan Bishop, headmaster of Broadclyst primary school in Devon, says that academy freedoms give him the opportunity

"to deliver an outstanding environment"

for his students, adding

"I don't understand why anyone would not want to do it."

As a result of academy status, the headmaster of the Premier academy in Milton Keynes can

"employ two or three more teachers to cut class sizes."

While we are talking about smaller class sizes, let me cite Paul Gazzard, head teacher of St Buryan school in Penzance, who has been able to bring the average class size in his school down to 18 by introducing academy reforms.

The question for the right hon. Member for Leigh is this: will he reverse these changes? He opposed them, which is fair enough. It is understandable. A new, keen, young Opposition spokesman is entirely entitled to fly an opportunist flag, but now that real schools and real pupils are benefiting, the question for him is this: will he turn the clock back?

I have more confidence in the right hon. Gentleman than in his predecessor. I think he will see that our changes are bringing real improvements, and I do not think he wants to turn the clock back. However, that is the test for Labour Members. Are they ready to embrace reform and to acknowledge that it is now the coalition Government who are delivering improvements in state education, or do they want to go back to where they were in the 1980s? Do they want to go back to being the voice of the conservative teaching establishment? Do they want to be the voice of those individuals in trade unions who are opposed to reform and opposed to change?

We should bear in mind the words of Tony Blair. When he was introducing his reforms, there were Labour Members—although not many—who opposed them. He said:

"Parts of the left will say we are privatising public services and giving too much to the middle class."

That is broadly the case made by the right hon. Member for Leigh; but Blair continued:

"both criticisms are wrong and simply a version of the old 'levelling down' mentality that kept us in Opposition for so long."

If we are to extend opportunity more widely, we need to ensure that the head teachers whom I have cited, and the others who are anxious to take advantage of these reforms—to invest in improving teacher quality, to invest in better discipline and behaviour, and to invest in higher academic standards—are given the freedom to do so.

Emma Reynolds (Wolverhampton North East) (Lab): The Secretary of State has spoken passionately about extending opportunities for the poorest children in our country, but let me tell him something. On Friday I shall be meeting the head teacher of Our Lady and St Chad Catholic sports college in my constituency. She is deeply concerned about what we suspect is the Secretary of State's intention to withdraw the specific budget for specialist sports schools. That school is in a deprived area of my constituency, and it has both raised educational standards and improved health conditions for young people in the area. Will the Secretary of State reconsider?

Michael Gove: The hon. Lady makes a strong case on behalf of her constituents and that head teacher, who I am sure is doing a superb job, and I can assure all head teachers whose schools enjoy specialist status that what we are doing is removing the bureaucracy which had attended specialist status. All schools will now receive the money through the direct schools grant, and as a result they will be able to spend it as they think fit, not as bureaucrats decree.

On the subject of funding, I want to pay particular tribute to my Liberal Democrat coalition partners. They came under attack from the right hon. Member for Leigh, but I think it is only fair to say the following. Before the general election, Liberal Democrat coalition partners made the case for the pupil premium passionately, fluently and effectively. It was a policy I supported, but it had been developed with particular attention to detail by the right hon. Member for Yeovil (Mr Laws), and it was first promoted by the Minister of State, my hon. Friend the Member for Brent Central (Sarah Teather). As a result of the case that was made by Liberal Democrat members of the coalition, this Government are now delivering a pupil premium that is worth £2.5 billion in additional spending after four years.

Several hon. Members *rose—*

Michael Gove: Just a second. That £2.5 billion of additional money is on top of another £1.1 billion of additional spending to deal with demographic changes, so there is £3.6 billion in additional spending on schools, targeted towards the very poorest—spending that the right hon. Member for Leigh and others consistently opposed, and which they rejected during coalition negotiations. It is spending that has been delivered by a coalition Government—two parties united in pursuit of social justice—after one party had let those children down.

Annette Brooke (Mid Dorset and North Poole) (LD): I greatly welcome the fact that children in my constituency who come from disadvantaged backgrounds will be supported in their education. However, I would like an assurance from the Secretary of State that this is extra money, and that it does not involve taking money away from schools in deprived areas.

Michael Gove: I am delighted to be able to give the hon. Lady that assurance, and I can do so because the case for the pupil premium was made so passionately by her parliamentary colleague the right hon. Member for Yeovil, and because it was then delivered thanks to the hard work of the Minister of State, the Chief Secretary to the Treasury and the Deputy Prime Minister. *[Interruption.]* All of them worked together to ensure that we have £2.5 billion extra.

Several hon. Members *rose—*

Michael Gove: Labour Members are upset and annoyed and are heckling because it is this coalition Government who are delivering for those poorest children and they hate that. We can see on their faces their anger and annoyance that it is the coalition parties that are at last delivering on social justice and progressive reforms, and that are improving the school system.

Andy Burnham: It was Labour that gave local authorities funding to raise standards in the poorest areas. The Institute for Fiscal Studies said we had an implicit pupil premium; the Secretary of State might care to read its research.

Let us stop shifting the ground. The commitment the Liberal Democrats said they had was for a pupil premium additional—on top of—a schools budget protected in real terms; that is not just the dedicated schools grant, but the entire schools budget. Have they got that? This is fundamental. Let us have no fine words from the Secretary of State; he must get to the heart of that question. Have the Liberal Democrats got what they told the former Education Secretary, my right hon. Friend the Member for Morley and Outwood (Ed Balls), they had during those post-election talks? We need to know.

Michael Gove: I think the right hon. Gentleman is talking about schools rather than education, but the truth is, yes, the Liberal Democrats have got a fantastic deal—and more to the point, so has the country. There is £3.6 billion extra; £2.5 billion extra spent on schools, and £1.1 billion extra spent on demography, so there is a real-terms increase in education spending, and delivered over four years, whereas the right hon. Member for Morley and Outwood (Ed Balls) was going to deliver additional spending only for two years, not four years. More than that, he was not going to deliver, as we have, additional pre-school learning for the poorest two-year-olds. He was not going to deliver, as we have, an extra £150 million to help students from poorer backgrounds to go to universities. He was not going to deliver, as we have, an additional £7 billion over the lifetime of this Government to help the very poorest children. The reason why all Labour Members are so anxious to try to attack this proposition is that they hate the fact that progressive policies are being delivered by a coalition Government.

Several hon. Members *rose—*

Michael Gove: I am conscious that many Back Benchers, on both sides of the House, wish to contribute. I am also aware that the Opposition motion asks us all, but particularly the Government, to

"work with families, teachers and communities to deliver improved standards of learning and teaching in all local schools."

But how? Nothing in what the shadow Secretary of State said today, what he said in his speech to the Association of Directors of Children's Services or what he has said in any interview that he has given constitutes a new or fresh, radical or reforming idea to improve our education system. What do the Opposition offer? How are they going to work with schools, local authorities and parents to improve education? Are they just going to hold hands and sing "Kum ba ya"? Are they going to close their eyes and wish really hard? Are they going to cross their fingers and hope that Tinkerbell will somehow magic a better education system into place? Why can the Opposition not give us a single solid idea for reforming our schools system? It is because they have abandoned reform and instead prefer the opportunism of opposition.

Mr David Ward (Bradford East) (LD): Now will the Secretary of State answer the question: is it £2.5 billion on top of cash balances or is it £2.5 billion in real terms on top of what schools are now receiving?

Michael Gove: It is £2.5 billion on top of the cash settlement that schools have been given. It is a real-terms increase in schools spending and £3.6 billion overall. *[Interruption.]* I think that the hon. Member for Bradford East (Mr Ward) is probably off to celebrate the good news. The truth is that this spending could not have been delivered by the Opposition, because they were not committed to taking the tough decisions that we have taken in order to invest in schools spending.

Bill Esterson: Is the truth not that the Institute for Fiscal Studies figures clearly show that because of increasing pupil numbers this will amount to a 2.25% cut in real terms—not an increase, but a cut—and that the most disadvantaged areas will lose out as a result of the proposals that the Secretary of State wants to introduce on the pupil premium?

Michael Gove: Absolutely not. Schools spending will rise in real terms over the lifetime of the coalition Government. That was not a promise that the Opposition were able to give; they could promise only to increase spending over two years. As I say, we are also extending 15 hours of pre-school learning to all disadvantaged two-year-olds—the Government of the right hon. Member for Kirkcaldy and Cowdenbeath were not able to deliver that. We are also giving £150 million to help disadvantaged students from poorer backgrounds to make it to university.

Mr Graham Stuart: The Opposition are complaining about any possible changes to areas of deprivation, but it is not areas that we need to be concerned about—areas of Sheffield that were some of the wealthiest in the country were getting additional money. What we need to do is ensure that money follows the pupil. The gap between children on free school meals and the rest is wider in the East Riding of Yorkshire, including my constituency, than in any other part of the country. We need a pupil premium that follows children wherever they live, so that we have a more just system that does narrow that gap, which sadly widened under the previous Government.

Michael Gove: My hon. Friend makes a good point and we need to narrow the gap. The gap between children who are eligible for free school meals and other children across the country is far too wide. We need to ensure that disadvantaged children receive additional funding, and under the coalition Government they will receive such funding on top of the dedicated schools grant that was not going to be delivered by the Opposition.

Several hon. Members *rose—*

Michael Gove: I am conscious that a number of Back Benchers want to contribute, so I shall now draw my remarks gently to a close.

The change in Opposition policy since 2005 has been remarkable. A party that was once committed to education reform is now committed to putting the clock back. It is those on this side of the House who are investing more money in the education of the poorest, who are recruiting more great teachers into our most disadvantaged schools, who are changing the policy on discipline, who are reforming the allocation of funds for children with special educational needs, who have ensured that academies admit children with special educational needs on a level playing field, who have extended the Freedom of Information Act to academies, and who are ensuring that vulnerable children at last receive the opportunities they deserve. It is those on this side of the House who are at last trusting teachers and head teachers to do what they have yearned to do for 13 years—to take control of the education system and to transform it in the interests of all our children. For those reasons, I invite the House to reject the Opposition motion.

Several hon. Members *rose—*

Mr Speaker: Order. A large number of Members want to take part in the debate and, as usual, time is our enemy. I have therefore decided to reduce the length of Back-Bench speeches from seven minutes to a maximum of six minutes from now on.

5.36 pm

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): I support the Opposition motion. The Secretary of State evaded interventions from me and from several others on the Labour Benches after he said that we were "angry" that the coalition Government were introducing a pupil premium. May I inform him that the Labour Government had a pupil premium? I do not know if it was as well worked through as it should have been; it was an early policy introduced by my right hon. Friend the Member for Sheffield, Brightside and Hillsborough (Mr Blunkett) that was absorbed and no longer ring-fenced when Charles Clarke became Secretary of State. There was a pupil premium, but I would challenge the Secretary of State. He knows that the Opposition want more resources to follow people from deprived backgrounds. If he is honest with the House and in his intellectual engagement with the debate, he also knows that the most difficult thing is to find a method of ensuring that the money tracks the right people.

The Secretary of State will find it difficult, as we did with Sure Start children's centres. We started, as he knows, with 500 in the 500 most deprived communities, but we then discovered that that left out most of the deprived children in our country so we moved the number up to 3,500. One of my concerns—and a concern of Members on both sides of the House when they talk frankly in private—is that we might see a drastic cut in the number of children's centres, based on the idea of going back to the original intention of having 500, which would exclude most children from deprived backgrounds. That has a paralle! in the pupil premium. The Opposition are arguing that the way in which the Government propose to introduce the premium means that it will fail to reach the children who are most deprived, because it is not well crafted. We understand that it is difficult for any Government to ensure that such methods work.

The one thing in the Opposition motion that I found difficult to swallow was the mention of ideology. I honestly fail to see what the Government's ideology is. I do not see a consistent theme running through their education policy. There are bits and bobs of ideas, some of them refreshing and interesting, but when it comes to others I, and other people who have been in education for a long time, do not understand where they are coming from or where they are leading us.

As Chair of the Select Committee for nearly 10 years, I found it refreshing when a Minister came before the Committee and said that the reason for introducing a policy was that it was evidence-based. One of the most refreshing things about Tony Blair in his 1995 conference speech, in his Ruskin speech in 1996 and when he put that speech into operation in 1997, was that he was both pragmatic and open to evidence-based policy. We saw that across a raft of policies, but when the Committee looked at how policies evolved, we found that when Ministers left the evidence base they got into trouble.

The present Government seem to be basing their whole education policy on something called the big society. Many people have talked to me about what the big society means. It is very difficult to find out. What is the big society? Is it localism? It is a funny sort of localism that jumps over and disregards locally elected education authorities. That is a very different kind of localism.

How do we know that people who want free schools represent the community? We have already heard evidence that there have been some strange bids. I am not sure that the answers we heard today about faith schools were entirely convincing.

Graham Evans: Before the general election, Labour Members supported co-operative schools. Can the hon. Gentleman tell me the difference between the co-operative schools project and the Government's free schools project?

Mr Sheerman: I was, and am, a great supporter of co-operative partnership in academies. I was a great supporter of academies, but I understood exactly what the argument for academies was under the previous Government. Under Tony Blair, it was to take first 200, and then a further 400, schools where everything else had been tried; they were usually in areas of great deprivation and everything that had been done to try to raise standards had failed. We introduced academies where we thought it was worth trying something because nothing else had worked, but now the academy model has been inverted. It is no longer about where schools are failing and real help is necessary for kids, who get only one chance for education—where we need to act quickly because we cannot wait for a laggardly local authority to get its act together. We now have a system in which any school can become an academy, and I am not sure what its theme, goal or arrival point is.

The big society does not seem to be a substitute for evidence-based policy, or to involve a clear notion of where we are going with education policy. I shall illustrate that with just one point. My concerns are not only about Sure Start and early years, but also about the fact that there is now seemingly an end to the choice that was opening up. There was real choice in our schools—the apprentice route, the skills route through the diploma, or the academic route. That opening up, with the possibility to cross over, was very refreshing, but it seems to have been killed by the new Government.

5.43 pm

Mr Graham Stuart (Beverley and Holderness) (Con): It is a great pleasure to take part in the debate, although I must express some disappointment with the opening speech by the right hon. Member for Leigh (Andy Burnham), the shadow Secretary of State. It lacked a contribution on how to improve our school system. There were improvements in our education system under the Labour Government; there is no question about that. In general, we have a motivated and high-calibre teaching work force, although of course they too could do with further improvement. There was nothing constructive in the right hon. Gentleman's speech.

When a party is thrown out after 13 years in government, there is a real opportunity to think again. One of the first things Labour Members should do is put their hands up on some of the issues. For Labour to have presided for 13 years over a widening of the gap between the educational outcomes for rich and poor, and a widening of the gap in the overall educational performance of the UK against its key competitors, is not something about which to be complacent or self-satisfied. Collectively, as a political class—although I was on the Opposition Benches—we failed to turn the vast increase in expenditure on education under the previous Government, and the political will that existed then, into sufficient progress for the poorest in our society, which one would have hoped would be delivered by Labour, and for the country overall.

Wrestling with the issues of bringing about improvement in our education system is what we should all be involved in, rather than trying to score points, especially as it is likely that the coalition Government and this Parliament will run for some years. Every party, not least the Opposition, should be dealing with the real issues, and should have a platform for improvement.

Mrs Jenny Chapman (Darlington) (Lab): The hon. Gentleman speaks about the good will of the Opposition and their desire to reduce inequality in education. Is it not true, however, that we do not yet know how successful our expenditure on reducing such inequality might be because, for example, children who started in a Sure Start centre when those first opened in my constituency are not yet 16, so we do not know what choices they will make?

Mr Stuart: The hon. Lady makes a fair point. Many of those initiatives, such as Sure Start, are being supported by this Government. The hon. Member for Nottingham North (Mr Allen) has been an ardent champion of early intervention and has helped Members in all parts of the House to recognise the need to intervene early in order to make sure that children arrive ready for school, and that they have a decent vocabulary so that they can engage with learning. There is merit in what the hon. Lady says, but even the most ardent supporter of the Labour Government would hardly suggest that the improvements that were wished for have genuinely been delivered.

I am pleased to follow my predecessor, the highly distinguished former Chairman of the Select Committee, the hon. Member for Huddersfield (Mr Sheerman), who said that he could not see an ideological base. I hope it is a practical evidence-based approach by the Government. It is clear that they believe that giving greater trust, responsibility and control to front-line professionals is more likely to lead to an improvement in standards than central prescription, however well-meaning. It is as obvious to me as the River Jordan that that is the key insight of this Government.

[Mr Graham Stuart]

We must ensure that that process is well thought through, that we support front-line professionals, that capability is developed where it does not currently exist, and that it is put in place in time to match any withdrawal of support from local authorities or others who may previously have delivered it.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): The hon. Gentleman is speaking about the Government's wish to push more resources towards the front line, but in his opening remarks the Secretary of State talked about some of the most intractable areas of poverty and deprivation in the UK. Does the hon. Gentleman believe that directing resources to the front line and reconfiguring budgets alone will solve those problems, or that bigger, bolder schemes such as education maintenance allowances are required to tackle the deep-rooted poverty that causes that deprivation?

Mr Stuart: That, too, is a fair intervention. This is not the Government's sole policy area. They are also considering doubling the size of Teach First over the next three years, and have been in negotiation with Teach First about that. The essence of improving education standards is higher-calibre, better supported, better motivated, better led teachers in the classroom. That is what it is all about. That is the prism through which we should look at every decision that we make—which is why I welcome the Teach First approach.

It is not necessarily contradictory, though I can see that it may look hypocritical, to talk about reducing central prescription on what teachers may have, on the one hand, and on the other, raising the bar to those whom the state supports to go into teacher training so that the people coming in are better qualified.

The hon. Member for Stalybridge and Hyde (Jonathan Reynolds) is right to ask those questions. Tools alone will not deliver. What is needed, and what we have heard from head teachers and from the profession over the years, is that too much prescription, too much teaching to the test, too much narrowing of the curriculum—in other words, too much of what want on under the previous Government—took away the joie de vivre and the empowerment of front-line professionals. If we can bring that back, plus Teach First, put the tools in place, encourage ever better school leadership and school governance, which I hope the Select Committee will examine over time, we can move our education system on to a higher plane, and deliver what Members in all parts of the House want.

Knockabout—trying to suggest that Tories eat babies, or whatever those on the Opposition Front Bench seem to suggest—is not helpful. I believe that everyone in this House, regardless of party, came into politics because they would like to create a more just and fair society. This is not only about social justice. The forces of globalisation, which we cannot stop, and the suggestion in the Leitch report that there will be fewer and fewer jobs for people who do not have skills, make it an absolute economic necessity that we improve the skills of our young people. In response to the hon. Member for Darlington (Mrs Chapman), the truth is that we failed to make the progress that we should have done, and this Government feel that autonomy, plus their other measures, represent a better way to achieve that.

I want to make some brief remarks about Building Schools for the Future. My predecessor, the hon. Member for Huddersfield, who is chatting at the moment, knows full well that there is not the evidence to show that capital investment in schools leads to educational transformation. There is a link, but it is pretty small. Obviously, we all regret the fact that we cannot have brand-new schools where schools are not in an ideal state, but under BSF the allocation of money was out of proportion to the benefit given. Under this Government, more money will be spent on capital in schools in this Parliament than in the first two Parliaments of the Labour Government. Let us keep this in perspective. We need to recognise that nobody wants children to be in a school that is not in a good condition, but equally there is no evidence to show that the building itself, however inspiring the children may initially say it is when it opens, leads to the educational transformation that is at the real heart of improving outcomes, particularly for the poorest.

I should like to touch on the education maintenance allowance, which many other Members have mentioned. In the case of the EMA, unlike BSF, there is material evidence to show that it has helped young people from certain backgrounds to stay in education. I hope that Ministers will take that evidence very seriously and ensure that whatever they put in place does not artificially stifle that opportunity for people.

On the move from the current position to autonomy, we need to consider issues such as school sports trusts. I hope that Ministers, while generally believing in giving autonomy to schools and passing it down, will be careful to ensure that transitional arrangements, and sometimes funding, are in place so that things of value are not unnecessarily lost before they grow again from the grass roots.

Most of all, what we must have for this country is aspiration—aspiration to raise standards overall, and aspiration in believing that we can do so much better. So far, the shadow Secretary of State has been far more of an expert on health than on education, but I hope that he can start to express that Blairite aspiration of looking upwards, improving and challenging all the time, rather than simply defending the status quo, which is indefensible as it stands.

5.52 pm

Stephen Twigg (Liverpool, West Derby) (Lab/Co-op): I am delighted to follow the hon. Member for Beverley and Holderness (Mr Stuart). I welcome the measured tone of his remarks, particularly his final comments on the education maintenance allowance and school sports partnerships.

It is incumbent on Members in all parts of the House, but particularly Labour Members, to respond to the Secretary of State's challenge on continued inequality in education. It is clearly a scar on our society and our economy that someone's social background is still such a key determinant of how well they will do later on in life. However, I would appreciate it if he would acknowledge the serious efforts that Labour in power made to enact reforms that would make a difference to the situation, not least the academies programme. The Labour version of the academies programme was very much about dealing with deprivation and struggling and failing

schools in some of the poorest communities. The record in those academies since they were established over the past decade has been overwhelmingly positive and successful.

The education maintenance allowance also provides an excellent example of a Labour programme that has made a real difference, with more young people from poorer backgrounds achieving higher qualifications as a result of it and, crucially, more young people from those backgrounds staying on into higher education than happened previously. There is no question of Labour Members abandoning reform, and we now have an opportunity to consider the reforms that best take forward our principles in seeking a more equal society in future.

I want to address a couple of the specifics in the motion moved by my right hon. Friend the Member for Leigh (Andy Burnham). Labour's record on capital investment is an overwhelmingly positive one. It is a matter of concern that while the average cut in capital investment by Government Departments over the next period in the comprehensive spending review is 28%, the average cut for schools is more than double that, at 60%. That has real implications in constituencies such as mine. Schools that were going to benefit from wave 6 of Building Schools for the Future were let down in the summer and are still waiting to see what will happen in future. Liverpool city council has taken the sensible approach of trying to devise a plan B, and I urge the Secretary of State and his officials to work closely with Liverpool so that we can have such a plan. In the summer he gave an undertaking that he or one of his Ministers would come to Liverpool, and I repeat the invitation so that we can work together to secure the very best capital support for schools in my constituency and across the rest of Liverpool.

The principle behind the pupil premium is good. There is a genuine problem, which the hon. Member for Mid Dorset and North Poole (Annette Brooke) mentioned, with pockets of deprivation in otherwise affluent areas. Sometimes, local government fails to redistribute funds to ensure that the affected schools get the money that they deserve. Our concern, as my right hon. Friend the shadow Secretary of State set out, is whether the pupil premium is to be additional money, and particularly whether schools in constituencies such as mine will directly lose out as a consequence of its introduction. Liverpool has the highest level of deprivation in England, and we need to ensure that our funding is properly protected so that we can build on the remarkable improvement in standards in Liverpool's schools since 1997.

Ian Murray (Edinburgh South) (Lab): My hon. Friend is discussing the pupil premium eloquently. Would he like to comment on a situation in my constituency? During the general election campaign the Liberal Democrat candidate was championing the pupil premium, at the same time as the Liberal Democrat council was closing schools in the most deprived areas.

Stephen Twigg: It is obviously shocking and unprecedented to hear an example of the Liberal Democrats saying one thing in one place and doing the opposite elsewhere. I am certainly very concerned by the example that my hon. Friend gives.

My concern is that there will be a triple blow for the poorest communities, including the one that I now represent: the loss of capital investment through Building Schools for the Future, potential revenue cuts because of the creation of the pupil premium, and the abolition of the EMA.

I wish to address two other specific matters in my remaining time. The first is the impact of the Government's decisions on sports, to which my right hon. Friend the shadow Secretary of State referred. There has been fantastic work by the Youth Sport Trust and school sports partnerships in the recent period. Moving away from specialist sports colleges is a fundamental error. It is wrong for the academic chances of the kids who go to those schools, bad for participation in sport and physical education and bad for health and the campaign against obesity.

In my constituency is the excellent Cardinal Heenan school, which is a specialist sports college. My right hon. Friend will be delighted to hear that it works closely with Everton football club to promote sport and PE not just in that school but in local primary schools. We need to learn from the positive examples of such schools. I recognise that removing ring-fencing can often be popular with schools in principle, but there is always a fear that if we move away from a national strategy and a targeted approach completely, the original objective of that strategy will be lost and we might see a reduction in participation in sport and PE. That would come at a time when, for health reasons, we need more participation, not less.

My final point is about citizenship education. As a Minister, I was proud to launch that as part of the core national curriculum. I know that the Government are reconsidering the national curriculum, and I should like to make a plea for citizenship to remain a core part of it. Members of all parties can unite in sharing concern about the decline in active involvement in communities and political literacy among young people.

The evidence suggests that the impact of citizenship education has been patchy, without any doubt, but Ofsted has shown that the best citizenship lessons are those taught by teachers with a specialist subject knowledge. My fear is that if citizenship education ceases to be part of the core national curriculum, fewer teachers will train in it and there will be a decline in its quality in our schools. I hope that the Minister who responds to the debate will be able to provide some reassurance that this Government, like the previous one, see citizenship education as a very important part of the curriculum.

All parties can agree that education is important for social justice and for our economic future. There is a real fear that the Government's policies could further widen the gap between the deprived and less deprived parts of the country through cuts in capital investment, the loss of the EMA and the impact of the pupil premium. I urge them to think again in those key policy areas.

5.59 pm

Karen Lumley (Redditch) (Con): Thank you, Mr. Speaker, for the opportunity to speak in this very important debate. Education is vital not only to the future of our children and young people, but to the future of the UK as a whole. Our economy depends on nurturing the best

[Karen Lumley]

and brightest talents, and we should ensure that each and every child, no matter their background or social situation, has access to the very best education that we can provide.

I should like to declare my interest in this debate. I am chairman of governors of Vaynor first school, which is one of the largest first schools in the country with 408 pupils. The Secretary of State may remember visiting Vaynor with me a couple of years ago. Yesterday, I received an e-mail from its head teacher. She wrote:

"I could kiss Michael Gove! He has cancelled Financial Management Standards in Schools."

Although it would not be proper for me to echo both sentiments in that statement, I firmly support the Government's move to cancel needless micromanagement. As chairman of governors, I fully understand the issues surrounding fairer funding for our schools. The Government's long-term plans for a simpler funding system are welcome. There is a definite need to tailor funding for schools in each area, not base funding allocation on a complicated and arbitrary system that overlooks local needs.

There is also a large disparity between the funding allocated to similar schools in different areas of the country. It has not escaped my notice that the constituency of the Leader of the Opposition receives per pupil funding of £4,083; the constituency of the right hon. Member for Southampton, Itchen (Mr Denham) receives per pupil funding of £4,265; and even higher is the guaranteed per pupil funding of £4,317 for the constituency of the right hon. Member for Kingston upon Hull West and Hessle (Alan Johnson). Redditch, on the other hand, receives only £3,864. The schools of those right hon. Gentlemen who put forward today's motion receive on average almost £300 more than schools in my Redditch constituency.

Mr Robin Walker (Worcester) (Con): My hon. Friend makes a powerful point on behalf of the schools of Worcestershire. May I add one more statistic to her figures? There is a £760 per pupil gap in funding between pupils in Worcestershire and the neighbouring authority of Birmingham. Her constituency in Redditch and mine in Worcester include some of the most deprived wards in the country. Both were represented by Labour Members in this House for 13 years, and people in those communities were on a 13-year promise of fairer funding. Will my hon. Friend join me in welcoming this Government's intention to review the funding formula? If Opposition Members turn their backs on funding reform, they will be turning their backs on some of the neediest communities in Worcestershire.

Karen Lumley: I agree with my hon. Friend. I urge the Government to ensure that funding is fair and that schools across the country have equal access to the piggy bank. I also welcome the Government's plans for the pupil premium and the £2.5 billion that has been found in these difficult economic times to support educational development of the most disadvantaged pupils. That shows a real commitment by this Government to reduce the attainment gap and ensure that each and every school pupil reaches their potential. However, we must ensure that the pupil premium goes to those who are most in need, and I urge the Government not to overlook the pockets of deprivation that exist in Redditch and Worcester, the constituency of my hon. Friend. Will the Government clarify how the pupil premium will reach those pockets of deprivation?

Finally, I should like to say a few words about standards in schools. I should like to see standards raised in Redditch over the course of this Parliament. I firmly believe that the Government should focus on school standards—not just in a few schools but in all our schools. We need to ensure that teachers are free from the increasing bureaucracy and incessant form filling so that they can concentrate on teaching our children.

When I meet teachers and head teachers, one of the first things that they mention is the endless amounts of paperwork that they have to deal with. We need to move away, and stay away, from the bureaucratic procedures imposed on our school system and make sure that it is replaced by teachers spending more time with pupils. I received another e-mail yesterday, from another head teacher in my constituency, who wrote:

"Just to say I applaud the Government for abolishing this bureaucratic burden on schools. It is good to finally have a Government that listens".

On that note, I will finish my contribution. We in Redditch are trying hard to improve our schools and get the very best education for our children. I applaud the Government's proposals and hope that all hon. Members will make their schools and our nation's children their top priority.

6.4 pm

Bill Esterson (Sefton Central) (Lab): I welcome the contribution of the hon. Member for Beverley and Holderness (Mr Stuart), the Chair of the Select Committee, and his comments about the importance of investment in improving attainment and standards, but it is also important to recognise that the previous Labour Government not only put in the money but achieved results. I did not recognise the hon. Gentleman's characterisation of what happened. GCSE results and others improved, and there was a big increase in further and higher education results.

My family was fortunate enough to have access to Sure Start when a centre opened where we lived. It benefited not just my family but the other families who used it. They told me in great detail the difference that it had made to the younger children, when compared with older children who had not had such an opportunity in a Sure Start centre or in any other pioneering family centres that preceded it. The difference can be seen many years later in the attitudes, behaviour and achievement of the younger children, who are now teenagers, compared with their slightly older brothers and sisters, who had no such support in the early years. I know from that evidence the importance of Sure State to children who live in deprived areas, which explains people's concerns about Sure Start's future.

The Secretary of State did not answer the point that my right hon. Friend the Member for Leigh (Andy Burnham) made about concerns regarding the future of Sure Start, but perhaps he will do so in his closing remarks. I know from my experience and that of many others who have benefited that, of all the previous Government's achievements, the improvement in the quality of lives and the outcomes for children and families, just through Sure Start, is beyond measure.

The education maintenance allowance benefited many young people who stayed in education. Indeed, the Liberal Democrats suggested in their manifesto that they understood that. They promised to support the EMA, as did the Conservatives, because they saw the improvement in staying-on rates, and the predicted decline by some organisations in staying on of 10% or 12% is worrying. In Sefton, 80% of young people receive EMA, and from talking to them I know the number who say that they will not bother going to college any more without the £30 or £50 a week is frightening. I hope the Government reconsider the limits they are placing on support to young people.

I asked the Secretary of State about the pupil premium, about which the Institute for Fiscal Studies and the Library make similar points. The rise in the numbers of children going to school means that, despite the pupil premium and the increase in the overall money for schools, the real-terms effect is a cut for 87% of secondary schools and 60% of primary schools. That cannot be what the Secretary of State intended, and the impact on areas of deprivation, to which the hon. Member for Redditch (Karen Lumley) referred, is worrying.

I accept that we need to look after people in pockets of deprivation in the more affluent areas, but it is important to ensure that people in the larger areas of deprivation, such as those in Merseyside and our other large cities, are protected. Unless we do that, the outcomes and many other aspects of life for children who most need our help will decline significantly.

Graham Evans: My constituency is on the periphery of Merseyside and Cheshire. I want to address the needs of those in pockets of social deprivation, which you have just brushed aside. Those numbers add up. I appreciate, and have a lot of sympathy with, the issues that you have in Merseyside—indeed, I support your case—but you cannot ignore those numbers because when you put them into the comprehensive—

Mr Speaker: Order. First, the hon. Gentleman should not, by now, be using the word "you". Secondly, interventions should be brief, not mini-speeches. Other Members are waiting to contribute to the debate.

Bill Esterson: I shall close by addressing that point. I did say it is important that we look after those in pockets of deprivation, but it is crucial issue that we do not do so at the expense of much larger areas where, historically, we have had to invest money to support people because of the extreme deprivation.

6.11 pm

Eric Ollerenshaw (Lancaster and Fleetwood) (Con): Like others, I declare an interest. I was, until 2000, a teacher, having taught in three state comprehensive schools, two of which were classed as social priority. I was a member of the Inner London education authority, the mention of which calls to mind not only political battles of the past but, perhaps, the importance of those battles in changing education structures and of what that can do to raise standards.

I want to cover three points: spending, teaching in deprived areas and ideology. Although the Labour party does not like it, the sad truth is, as the Secretary of State underlined, that for the next couple of years everything that we do must be seen in the context of the financial mess we have been left with—not only the huge budget deficit and the record national debt, but the fact that Labour went into the last election with blank cheques, of which, for me, Building Schools for the Future was the last. Those are Labour's legacies, and, although today we have been told that we are making cuts, they were phantom legacies with no money to back them up. I congratulate the Secretary of State on what he achieved in the comprehensive spending review—the increase of £3.6 billion over the next four years and the pupil premium, which other Members have mentioned.

On Building Schools for the Future, we accept that in certain areas there is obviously worry and panic, but the Labour party's suggestion that the capital programme has entirely disappeared and there will be no repairs to schools and no new schools built is a fallacy. In Fleetwood, which has an extremely good Conservative county council that looks after its money, seven primary schools in some of the most deprived areas in my constituency will have been rebuilt and refurbished by the end of this financial year. That work is still going on, whatever Labour claims.

For me, the learning environment is not just about teaching. It is more than bricks and mortar and, these days, steel and glass. We need quality teaching, good leadership from heads and legislation that allows professionals the freedom to innovate and get on with what they do best.

I remember starting out as a young teacher—we were all young once—in the 1970s when there was another "building schools for the future" programme under a Prime Minister called Jim Callaghan. My first teaching post was in Tottenham, a deprived area then and now, which is perhaps a comment on a series of Governments in between. One could not imagine this today, but we were offered a purpose-built comprehensive for 11 to 18-year-olds, with eight-form entry, on a brand-new site behind Spurs football club. Northumberland Park school, as it was called, was designed by the latest 1970s architects—hon. Members can imagine the result—and had a theatre and a swimming pool. We moved into the school with its first first-years—we had first-years in those days; I think they are called year 7s now—and a bunch of new, enthusiastic and excited teachers. That is where I learned my trade as a history teacher, and I have three anecdotes about my experience.

First, 10 years down the line, that school was in serious trouble, so the building was not the problem. Secondly, I was asked, as a history teacher, to choose the European A-level module, and I chose France and Louis XIV because that is what I knew, it was my specialism, and I could bring my best talents to bear on it. However, there was stiff opposition from the so-called education advisers. This is when I tuned into politics, because that opposition was all about questioning the ability of children in Tottenham, whatever their background, to achieve what other schoolchildren could achieve. I was sorry to hear the shadow Secretary of State's comment about teaching Latin in Acton. Why should every child not get the best that other schools—even independent schools—provide? I can tell him that the students who studied Louis XIV have ended up in good jobs because they were well taught, not just by me, but by others.

My third anecdote is about social deprivation and poor schools. In that same school, I wanted to put on extra classes when we first had a sixth form, and I did

[Eric Ollerenshaw]

so, for children going for their pre-university application. They were the first from that school to do so, but I was told by the local National Union of Teachers activist that I should perhaps not put on extra classes. Why? Because the school might expect other staff to do the same. I was naive enough to believe that getting a job in a socially deprived area and school involved going the extra mile. Through his reforms, the Secretary of State is attempting to allow teachers who are perhaps a bit younger than I am now to go that extra mile and to achieve for every single child.

6.17 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to follow the hon. Member for Lancaster and Fleetwood (Eric Ollerenshaw), who drew on his experience at the chalk face to make his points. I agree with him that every child ought to have the best.

I have been privileged to spend my life in education, working with the most fantastic young people in schools and colleges as well as with wonderful fellow professionals. Professionals have not always got it right, nor have politicians. However, when the former Prime Minister, Tony Blair, said that his priorities were "education, education, education" he at least put his money where his mouth was. We saw investment in education at all levels—from Sure Start to higher education—the like of which I had not seen in my lifetime.

That is why the Secretary of State was right to begin his speech by celebrating successful school leaders who prospered under the previous Government. That does not mean the previous Government got everything right, because they could have done some things better, but, sadly, this Government, rather than learning from and building on the success of their predecessor, are doing what politicians too often do: gambling on organisational change. They are starting again with structures, but that is a distraction from the core issues of quality and teaching and learning, and the capacity and quality of leadership in schools and colleges, which the hon. Member for Beverley and Holderness (Mr Stuart) rightly emphasised.

Nationally, schools with the highest number of children who receive free school meals have seen the biggest rise in educational attainment. There has been phenomenal investment in information technology and other modern equipment in our schools, and the role of support staff has been transformed so that the focus is more effectively on the needs of our young people. Teachers are now specialised in teaching and learning, and the outcomes that they have achieved at all levels of our education system have improved year on year. Exciting and innovative things are happening in our comprehensive classrooms, yet, at the very moment when there is a momentum towards greater success, what do this new Government do? With no electoral mandate, they decide to turn everything upside down and gamble with our children's future.

We need look no further than the Government's approach to EMA to see how they have strayed from their mandate and gambled with our young people's futures. Over the past few years, EMAs have been a spur to widen achievement and raise aspiration. My right hon. Friend the Member for Leigh (Andy Burnham) quite rightly quoted the Secretary of State when, putting our right hon. Friend the Member for Morley and Outwood (Ed Balls) in his place, he said, "I have never said we are scrapping EMAs. We won't." It was pleasing to see that the Minister of State, the hon. Member for Bognor Regis and Littlehampton (Mr Gibb) said as recently as June:

"The Government are committed to retaining the educational maintenance allowance". —[*Official Report*, 14 June 2010; Vol. 511, c. 307W.]

Sadly, we now know that not only is a pledge not a pledge, but a commitment is nothing more than a throwaway line.

Research conducted by CfBT—the Centre for British Teachers—gives robust evidence that EMAs have increased participation and achievement among 16 and 17-year-olds and contributed to improved motivation and performance. As the hon. Member for Beverley and Holderness recognised, when effectively focused on the target groups, EMAs are restricted to low-income households and disproportionately taken up by those with low achievement at school, those from ethnic minorities and those from single-parent families. Research by the Institute for Fiscal Studies shows that attainment at GCSE and A-level by recipients of EMAs has risen by 5 to 7 percentage points since their introduction.

I know all that from my own experience as the principal of a sixth-form college. Indeed, only this week the principal of North Lindsey college in my constituency wrote to me expressing alarm at the impact of the Government's plans to scrap EMAs on young people's aspirations. He urged me to raise the matter in Parliament and to argue the case for retaining EMAs, so that is what I am doing this evening. I am appalled by the way in which the Government have abandoned EMAs, breaking the promises that they made to young people as recently as June, as well as before the election. As my right hon. Friend the Member for Leigh pointed out, this Government are taking a reckless gamble with our children's futures.

Sure Start is being reduced and diminished. The pupil premium appears to mean no more than raiding money from other pots and distributing it in a different way—a way that may turn out to be more unfair. That is why a Liberal Democrat colleague—the hon. Member for Bradford East (Mr Ward)—left the Chamber so peremptorily earlier on. He was not satisfied with the answer that the Secretary of State gave to his quite proper question. There will be a real-terms cut per pupil in the schools budget. BSF is a shambles, with schools, communities and students being let down. Support for school sport is being dismantled, thereby betraying our commitment to an Olympic legacy. EMAs are being cancelled and tuition fees trebled. So much for aspiration.

This is a casino Government, gambling with the economy, gambling with our nation's health service and gambling with our children's future. It is a gamble that is uncosted, unhelpful and unnecessary. I urge all hon. Members to support the motion before the House this evening.

6.23 pm

Mr Rob Wilson (Reading East) (Con): The Opposition's motion today accuses the Government of

"pursuing a reform agenda in education that represents an ideological gamble with successful services",

but Labour needs to acknowledge all its past, if it is to be taken seriously on education in future.

In my constituency, after 13 years of a Labour Government and a Labour council, and with two Labour MPs between 1997 and 2005, the latest local figures available show that nearly 40% of pupils fail to achieve the basic standard of five good GCSEs, including maths and English. The national figures show that nearly half of all pupils failed to meet that basic standard last year. I am therefore not sure how those on the Labour Front Bench can claim any success, especially when so many thousands of young people are leaving compulsory education without achieving even the most basic of standards. Nor can they claim that the issue is expenditure. In real terms, public expenditure on education increased by £35 billion over Labour's 13-year period in office, which is an increase of some 72%, although the increase in my constituency was only 50%. Essentially, 50% of children are failing to reach the basic standard, and that is as good as it got in 13 years of a Labour Government. The minor improvements that took place in later years—the introduction of academies, and things like that—were unfortunately far too little and far too late, leaving many children failing in our schools.

Although there are still too many bad teachers in our schools, a large majority are committed and doing a wonderful job in very difficult circumstances. As with so many other parts of the public sector, teachers have been tied up with bureaucracy, and constrained by an over-supply of rules and an under-supply of common sense. I see that week in, week out in schools in my constituency, and I therefore welcome the fact that my Government are introducing truly radical reforms to increase innovation and diversity of approach in our schools. After years of failure by a Labour-run council, I welcome the fact that the Government's academy policy is handing powers to the people who are best placed to understand the needs of education in their local areas: teachers, head teachers and governors.

In my constituency, there has been a stampede to academy status. Highdown school has already announced its intention to gain such status, and Reading boys school and Kendrick girls school, both grammar schools, will follow shortly. I am sure that others, such as Reading girls school, will take advantage of today's announcement by my right hon. Friend that any school may now apply for academy status if it teams up with a stronger school that will help to drive improvement.

Alok Sharma (Reading West) (Con): In addition to welcoming the success of the academies in my hon. Friend's constituency, does he also welcome, as I do, the Secretary of State's recent decision to allow the National Education Trust, the Centre for British Teachers and the Friends of All Saints school to move forward to the next stage of setting up a free school in my constituency with the aim of opening a 120-pupil school in September next year? That local school is backed by local people and the whole of the local community.

Mr Wilson: Of course I welcome that. My hon. Friend has done a great deal to help that process.

I want to make one further remark about my two excellent grammar schools, and I say this gently. I have had conversations with head teachers to the same end. Their catchment areas need to be looked at carefully. Kendrick school in particular is recruiting pupils from far and wide, and is becoming too remote from the local community that it serves. I would like my local grammar schools to re-engage with the task of aiding social mobility for clever, poorer local Reading children rather than being regional schools. I hope that my right hon. Friend will ensure that those schools can expand their numbers to recruit more local Reading children as that may help the situation.

My right hon. Friend will be aware that under the last Government, grammar schools were, unfairly, not allowed to expand their numbers. It is clear that people in my constituency are voting with their feet, and schools are taking advantage of academy status and all the freedom that that brings, instead of staying with the failed system of central planning of the shadow Secretary of State's Government.

I hope that very soon there will be another massive step forward for education in my constituency with the announcement of a brand new school. I have been particularly taken with the success of city technology colleges and university technical colleges to support education for 14 to 19-year-olds. They would add real diversity and choice for parents in my constituency.

Before it was popular and before it was Conservative party policy, I often wrote about and campaigned for a pupil premium. It is gratifying that the Government are implementing such an important and radical policy, which could see some schools with a particularly high concentration of poor pupils receive as much as £1 million in additional funding to deal with the particular disadvantages associated with poorer pupils. That could make an enormous difference, and help to close the attainment gap between rich and poor pupils, although I accept that on its own it will not be enough.

The Opposition should recognise that the coalition Government are taking on the most successful policies of the last Government, such as the Teach First scheme to bring outstanding graduates into teaching. But they must also face up to the reality that 13 years of a Labour Government and local authority-run education services have left a legacy where, despite massive investment, almost half of pupils fail to make the best or even the most basic grade at school. We owe it to our children to try radical new approaches that have had great success both here and in other countries. It is time to break the cycle of under-achievement.

6.29 pm

Pat Glass (North West Durham) (Lab): I realise that time is short, so I have cut down enormously on what I was going to say. I shall stick to the main points. I have been privileged to spend most of my career in education. I know how schools operate, unlike most of those on the Government Front Bench, and I am therefore in the privileged position of being able to comment on the Government's proposals and on how they are likely to impact on schools and on outcomes for children.

Given my background, I will always approach education reforms not from an ideological standpoint but from the standpoint of whether they will improve schools and outcomes for children, especially poor and vulnerable children, and those with additional difficulties, in constituencies such as mine. The question for me is whether the Government's reforms will continue the many different improvements that we have seen, or whether they will act as an anchor on talent and aptitude.

[Pat Glass]

I find it inconceivable that any Government could consider allowing just about anyone to open a free school in any type of building, without outdoor play areas, recreational space, or qualified teachers. I am sure the Secretary of State will be aware of the recent Institute of Education report, which clearly demonstrates that the more time a child spends with a support assistant, as opposed to a teacher, the less progress that child will make. It is the strength of the pedagogical environment, the specialist knowledge of the subject and the confidence and quality of the teaching experience that deliver progress. That can only come from a qualified teacher working in a qualified environment.

Mr Andrew Turner (Isle of Wight) (Con): Will the hon. Lady give way?

Pat Glass: I am sorry, but we have very little time.

The Government are proposing a relaxation of the accountability framework in schools, so that academies and schools judged to be outstanding will be inspected only every seven years. I have to ask whether that is going to improve outcomes for schools. I have many criticisms of Ofsted, but I do not criticise its relentless pursuit of an upward trajectory in school improvement. We are all swiftest when we are chased, and that applies as much to head teachers, teachers and schools as to anything or anyone else.

The Government are seeking to abolish independent appeals panels for exclusions. I understand from my discussions with schools that that is not what they want. Head teachers and chairs of governing bodies are telling me that, while it can be very uncomfortable to appear before those independent panels, they provide valuable checks and balances in the system. The heads and chairs are concerned that, without them, they could find themselves defending their actions in court. That would not be good for schools.

The Government are also proposing a national funding formula that is distributed from central Government. However, I am more concerned with what that resource will drive into schools than with where it comes from or who delivers it. The Prime Minister and the Secretary of State have repeatedly said that they will protect schools funding, but when asked direct questions, they have given very few direct answers. I was pleased to hear the Minister of State, Department for Education, the hon. Member for Bognor Regis and Littlehampton (Mr Gibb) advise the Education Committee this morning that schools budgets would grow by subsuming the standards fund and the educational needs grant into the baseline, and that they would be increased by the pupil premium. If that is true, it is welcome. However, the Secretary of State needs to know that I will be checking out the position with schools in my constituency when they get their budgets in December, and if those schools, which educate some of the most deprived children in the country, have less money next year than they have this year, I will be his worst nightmare.

The Secretary of State is an English graduate, and he is fond of coming to the House and lecturing us on the teaching of history. I want to give him a lesson from my end of the curriculum. Unlike politics and philosophy, maths is an absolute science. I shall start with an easy equation. If schools in the poorest communities receive less funding next year than they did this year, and if we add that to more unemployment and poverty as a result of Government cuts, that will equal poorer standards and outcomes, not better ones.

I have looked at the reforms very carefully, and if they are going to produce better outcomes for schools, I will welcome them. However, it is my considered view that they will lead to improved outcomes for some children but poorer outcomes for most. The strapline of this Government will be less "Every child matters" and more "Actually, some children don't matter very much at all". That would be a tragedy for the majority of children and schools in this country. The Government appear to be following an ideological experiment with other people's children, and it is the poorest and the most vulnerable who will lose out most.

Several hon. Members *rose—*

Mr Deputy Speaker (Mr Nigel Evans): Order. The next speaker will be Damian Hinds. I ask him to sit down at 6.40 pm.

6.35 pm

Damian Hinds (East Hampshire) (Con): Thank you, Mr Deputy Speaker, and I appreciate that we are running on a somewhat reduced timetable, but I want to spend a little time metaphorically to reach across the Floor, if I may, and express some sympathy for the fact that Labour was the party that Opposition Members joined. *[Interruption.]* Most Labour Members may not have been on the Front-Bench team or even in this House during the previous Labour Government, but this is the party they joined and they looked to it to be progressive and ambitious for every child in this country. I am sure they still do, but when they look back on the 13 years of Labour Government, they will see our decline in the international league tables and a widening gap on social mobility, not to mention the 900,000 young people not in education, employment or training. They must be disappointed. The real disappointment, however, is that when faced with a bold and truly ambitious programme such as the one put forward by my right hon. Friend the Secretary of State, those on the Labour Front Bench have nothing positive to say.

Ian Mearns *rose—*

Damian Hinds: I would love to give way, but given the tight timetable, I am strongly advised not to—I apologise.

Far from being the ideological gamble suggested by the right hon. Member for Leigh (Andy Burnham) in the Opposition motion, I believe that our programme of change is measured, responsible and genuinely based on evidence. One refreshing aspect of the new Government is that whenever discussion of education policy arises, it always starts with the international evidence and considers where in the world something is done best—whether it be in Norway, Sweden, parts of the United States, or Singapore. Further confirmation of the coalition Government's evidence-based approach is that they have not proceeded in an ideological way, as they have continued a number of programmes put forward by the previous Government. They are even continuing with some policy elements that have not yet started or are only just beginning, such as increasing the participation age to 18 or the extension of free entitlement in early years. That,

if nothing else, provides absolute evidence that our approach to education is not about salami slicing, cheese paring or any other kind of food cutting-up that could be described.

There are good and great things happening in any period, and some occurred under the last Labour Government. I am thinking of the academy programme, in particular, which was the baby of the former Prime Minister, Tony Blair. The former Chairman of the education Select Committee, the hon. Member for Huddersfield (Mr Sheerman) said that he understood the approach towards the first wave of schools in the academy programme under the last Government, but it was always Tony Blair's ambition that, eventually, to use his own words, "every school" could be an academy.

The new coalition programme is about focusing on the elements that can make the most difference, prioritising the areas, the people and the children that most need help at the most pivotal times in their lives, and then trusting professionals to get on and do the job. When it comes to spending money where it can make the most difference, I believe in people, not palaces. Of course the school environment makes a difference, but what makes an even bigger difference is the person standing at the front of the class—the person who can inspire and lead those young people, helping them to learn. That is why I welcome the extension of Teach First, the introduction of Teach Now and new initiatives such as Troops to Teachers.

It is often said that no one forgets a good teacher, but I have met many people who have forgotten a good smart board. In the Building Schools for the Future programme, the £1,625 spent per pupil on IT would have been much better spent in investing in our human resources and our people.

As to focusing on the people who need help most, there is the pupil premium, supplemented by the education endowment fund. Although it is right to debate how that formula works and how the transition to the pupil premium will work, I would love to hear any Labour Member challenge the principle of the pupil premium and say that it is the wrong way to go about funding education. There should be an amount per pupil and then a supplement—*[Interruption.]* I am talking about the structure. The supplement will go to those who need it most. It puts the money where it is most needed and it will incentivise schools to take on the most needy pupils rather than have the top-skimming about which people rightly complain.

I have virtually no time left so I shall conclude by saying that focus on the most formative times is important. That is why I particularly welcome the extension of the early-years free allowance and the extension to the neediest children at age two. Every piece of academic evidence that I have ever seen says that it is most important to focus on the very earliest years to help with children's futures. That will affect their ability to read and their behaviour and discipline, which affects all those around them.

We thus have diversity and choice in respect of school types and we have progressivity in respect of the pupil premium and other measures. We also have an evidence-based, financially responsible approach that will allow more schools to prosper, more teachers to flourish and more children to become everything they possibly can be.

6.39 pm

Kevin Brennan (Cardiff West) (Lab): We have had a very good debate, which has included contributions from my hon. Friend the Member for Huddersfield (Mr Sheerman), the hon. Member for Beverley and Holderness (Mr Stuart), my hon. Friend the Member for Liverpool, West Derby (Stephen Twigg), the hon. Member for Redditch (Karen Lumley), my hon. Friend the Member for Sefton Central (Bill Esterson), the hon. Member for Lancaster and Fleetwood (Eric Ollerenshaw), my hon. Friend the Member for Scunthorpe (Nic Dakin), the hon. Member for Reading East (Mr Wilson), my hon. Friend the Member for North West Durham (Pat Glass) and the hon. Member for East Hampshire (Damian Hinds). The debate has been well informed, with Back Benchers in particular bringing their expertise to the subject.

The Government are embarking on an ideological experiment with the children of this country. Let us look at some of the measures that have been discussed this afternoon. The pupil premium has featured quite largely. It is supposed to be the Liberal Democrats' flagship contribution to the coalition Government, so important that any funding for it would be in addition to planned spending on schools. That is what the right hon. Member for Yeovil (Mr Laws) said was the benchmark, and that is what the Prime Minister said. He said that it would be additional. That is what a premium is, after all: something on top. Then along came George, and the Treasury boffins.

I know that the Secretary of State is a very cultured man. I would say that he is a very literary man. Some might say that he is sometimes a self-dramatising man. However, no one would ever be so vulgar as to suggest that he is a man with an eye for detail, or with his finger firmly on the figures. How else can we explain the fact that he was popping open the champagne when he received his settlement from the Chancellor of the Exchequer, despite having just been done up like a kipper?

Let me give the Secretary of State some advice. If the Chancellor offers the same amount of cash next year as this year, that is a cut in real terms. If he then offers to top it up so that, per pupil, it does not keep up with cost increases over the next few years, that is not a pupil premium, but a real cut per pupil. It is not a pupil premium, but an old Treasury con. The Secretary of State should have known better.

Dan Rogerson: Will the hon. Gentleman give way?

Kevin Brennan: I have not enough time, I am afraid. Well, I might give way in a minute.

One can accept that the Secretary of State, with his challenged grasp of numbers, might be beguiled by the Chancellor, with all his confusing charts and tables—that is perfectly possible—but how can we explain the reaction of his Liberal Democrat chum in the Department? How does the Minister of State, the hon. Member for Brent Central (Sarah Teather), respond to this absorption of the supposedly additional flagship pupil premium into a schools budget that has been reduced per head in real terms? Answer: she brags about it. She will have trouble bragging about it when she starts trying to explain to head teachers in Brent Central why their budgets have

[Kevin Brennan]

been cut despite the introduction of the so-called pupil premium. She will have to use all the expertise that she has built up over the years in preparing dodgy bar graphs for Liberal Democrat focus leaflets.

We can all imagine the scene. Brent head teacher: "But my budget has gone down! Where is the pupil premium?" The hon. Member for Brent Central: "Let me just show you this bar graph. It clearly demonstrates that although you have less money, you have more money than you would have had if we had cut the budget more deeply. You have therefore benefited from the pupil premium." Brent Head Teacher: "Oh, well, that's all right then." Come off it! The hon. Lady must think that head teachers in her constituency were born yesterday. It is a con. When the final budget figures land on head teachers' desks across the country, it will take more than a few dodgy bar graphs from the hon. Lady and a few flowery flourishes from the Secretary of State to con professional school leaders into swallowing this nonsense.

It is no wonder the hon. Member for Bradford East (Mr Ward) walked out when the Secretary of State admitted that this was simply an increase in cash terms. [HON. MEMBERS: "Stormed out!"] Stormed out, indeed. According to the hon. Gentleman's website, he fights for schools in his area. I believe it, after his reaction to the Secretary of State's announcement to the House. I know that the Minister who will be winding up the debate loves a bit of poetry, so I will give him some Yeats. It was a case of

"I will arise and go now"

when the hon. Member for Bradford East heard what the Secretary of State had to say.

Dan Rogerson *rose—*

Mr Graham Stuart *rose—*

Kevin Brennan: I will give way to the Chairman of the Education Committee.

Mr Stuart: I am grateful to the hon. Gentleman for giving way in what is a witty and well-presented speech, although he is using paltry facts to great effect. The truth is that with funding for the NHS protected—unlike under Labour—along with funding for international aid, the threat to education was significant. People were talking about cuts of 10%, 20% and possibly higher. Therefore it must be seen as a good result that, in an extremely tough overall financial round, the education and schools budget, including the pupil premium, is being increased in real terms.

Kevin Brennan: The hon. Gentleman knows that it is not increasing in real terms per head over the next few years, but that is not the point. I would accept that if that were the Government's explanation for what they are trying to do, but they are trying to con people into believing that the pupil premium is truly a premium, an additional sum of money. That is what they promised; that is what the Prime Minister promised, but it is not what is being delivered.

What else do the Lib Dems get out of this?

Dan Rogerson: Will the hon. Gentleman give way?

Kevin Brennan: I have not got much time, but I might give way before the end of my speech if the hon. Gentleman is lucky.

What else do the Lib Dems get out of this deal? They get free schools that bypass local democracy, which they used to be so keen on, and that can be set up without any planning permission. They can be set up in an undertaker's if that is what people want, which would make for an interesting school run. The Lib Dems also get a 60% cut in the capital programme, with resources diverted to the Conservatives' peripheral ideological experiment, and a systematic dismantling of any system or programme that promotes collaboration and working together within the family of schools. No school is an island. Yes, by all means give schools freedom and autonomy from unnecessary bureaucracy, but let us please acknowledge that, without any structure for co-operation, standards ultimately suffer.

Let us look at school sports partnerships, which were mentioned in the debate. This morning at a meeting in the House of Commons we heard from Jo Phillips, a school sports co-ordinator in the Prime Minister's Witney constituency, who is about to be made redundant by the Secretary of State. Along with others, she described the transformation that school sports partnerships have brought in Oxfordshire and across the country. She absolutely dismissed the guff we heard from the Under-Secretary of State at Education questions on Monday, and said she could not believe that the Prime Minister could possibly have been told what the full consequences of the complete withdrawal of funding would be for his constituency and the country as a whole.

I hope the Secretary of State has explained to the Prime Minister what he is doing with school sports partnerships. We all saw his dramatic transformation from Dr Jekyll to Mr Hyde when the Prime Minister walked into the Chamber in the middle of Education questions on Monday, so powerful was his zeal to please his boss. Perhaps the Government were a bit hasty in getting rid of those relaxation pods they lampooned before they came into office, because the Secretary of State looked badly in need of a place for a nice lie down at the time. I hope he has explained to the Prime Minister that, for the sake of funding a peripheral ideological programme, he has cut a system that has enjoyed near-universal support among teachers, sports people, parents and pupils, and that has transformed pupils' lives—and that he did so on a day when the International Olympic Committee was visiting London means he has also greatly endangered Britain's Olympic legacy.

Dan Rogerson *rose—*

Kevin Brennan: I will briefly give way to the hon. Gentleman before concluding my speech.

Dan Rogerson: I am grateful to the hon. Gentleman for giving way. Along with his colleague the hon. Member for North West Durham (Pat Glass), he might want to stay behind for some extra tuition about how to square the cuts proposed by the former Chancellor, the right hon. Member for Edinburgh South West (Mr Darling), with the situation that all Departments would be facing had Labour got back into office, unlike what we have secured in this coalition, which will be extra money for education.

Kevin Brennan: If the hon. Gentleman examines the record, I think he will find that when his party colleague, the right hon. Member for Yeovil (Mr Laws), was discussing this with the previous Education Secretary, the schools budget had been protected and the right hon. Gentleman refused to do a deal because he claimed the Conservatives had already protected that sum of money for schools and he could get a pupil premium on top. As I said, stitched up like a kipper.

Much progress has been made since the days when I, like many other hon. Members, taught in leaky portakabins under the Tories. A lot of progress has been made since those days of inadequate facilities, inadequate resources and inadequate pay for teachers. The Government seem determined to take us back to a fragmented, underfunded future. They should change course now.

6.50 pm

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): I thank all hon. Members who have spoken in this interesting and timely discussion. The shadow Secretary of State began it and I listened to him with some sympathy, because it is not easy to bounce back from coming last of the serious candidates in one's party's leadership election—I exclude the hon. Member for Hackney North and Stoke Newington (Ms Abbott) for obvious reasons. The right hon. Gentleman may be a loser, but he is a trier and a trier deserves a hearing in this House. He said that the Government are ideological in their pursuit of excellence, and that was repeated by the hon. Member for Cardiff West (Kevin Brennan). If that is the charge—that we are resolute in our determination and unstinting in our efforts to do the best by our children—I, for one, plead guilty.

The right hon. Gentleman also complained about capital funding so let us put the record straight on that. The level of Department for Education capital funding for the next four years is by no means low. The Department's average capital budget over the forthcoming period will be higher than any single year's figure before 2004-05. Yes this was a tough spending round, but he knows that he is comparing these figures against an exceptional year and that in fact they are higher than the ones for any period during the first term of the Labour Government from 1997.

Andy Burnham: Can the Minister offer us one word of convincing explanation as to why, in a spending review when we were told that schools were protected, the Department got a minus 60% capital settlement when the average for the rest of government was minus 30%? Why were schools singled out for double punishment?

Mr Hayes: The right hon. Gentleman was not listening to the argument. The truth of the matter is that the capital deal secured by the Department is tough compared with the previous year, but it is by no means exceptional when one examines capital spending over the lifetime of the Government of whom he was a part. Let us also deal with this issue of revenue spending. He knows that combined the pupil premium and school funding, which is protected, means an increase in funding for the schools budget of £3.6 billion in cash terms by the end of the spending review period, which is a 0.1% real-terms increase in each year of the spending review.

Kevin Brennan: Can the Minister just give us the per pupil figure, as he has given us all those other figures?

Mr Hayes: The hon. Gentleman knows that we are protecting school funding in the system. I am talking about flat cash per pupil before adding the pupil premium. He knows what flat cash per pupil means. It means that as the number of pupils increases, the overall budget increases in line.

The right hon. Gentleman mentioned the education maintenance allowance, so let us get to the bottom of that. I have the research here, although I know he has not read it. It clearly shows that the EMA did increase participation at the margin: 90% of pupils in receipt of it said that they would have participated in education regardless of the EMA. We are going to target resources more effectively at disadvantage. We are going to help people the previous Government failed to help. I do not need to take any lessons from the right hon. Gentleman—Cambridge-educated and pulled up on the shirt-tails of Lord Mandelson and Mr Blair—about what it is like to move from a council estate to a decent education to this place. When he lectures us—

Clive Efford *rose—*

Mr Hayes: It could be a council estate in Eltham; I give way to the hon. Gentleman.

Clive Efford: I recommended an amendment to our education legislation on the pupil premium and the then Government did not accept it, but nor did I have the support of the Liberal Democrats at that time. The pupil premium was meant to be additional. In addition, it was meant to follow the pupil, which would mean that even schools in affluent areas could take pupils that need additional help and get additional money. That is not what the Minister is offering.

Mr Hayes: That is exactly what we are doing. The three things mentioned by the hon. Gentleman are all part of the pupil premium: it is additional, it is targeted at the pupil and it allows the local discretion that he cites. The hon. Gentleman's amendment was not supported by those on his Front Bench—it was not supported by those who were in government and who had power over these things when they were prepared to let the dead-weight cost of the EMA disadvantage learners across the country.

I welcome the opportunity to debate these matters, because the Government understand that it is time for fresh thinking. As my right hon. Friend the Secretary of State said, young people's education today will have a profound social, economic and cultural impact on what Britain becomes tomorrow. A person's learning, however, does not—indeed, must not—end with their compulsory schooling. Much of what has been said by my right hon. Friend the Secretary of State and other hon. Members resonates with the Government's agenda for further education.

I have just returned from the Association of Colleges conference where yesterday we launched a new strategy for skills that sets out a profoundly optimistic vision for the future of further education and practical learning. I know that the hon. Member for Scunthorpe (Nic Dakin) will welcome that positive approach to practical learning: from the burning fire of ambition to the warm glow of

[Mr Hayes]

achievement, a future nurtured by professional guidance from an all-age careers service with clear routes for progression; a future for colleges in which their primary responsibility and accountability will be to their learners; and a future in which colleges are free to meet the needs of learners, building confidently on what has been achieved by a better, fairer schools system driven by learners' needs and teachers' skills with standards raised ever higher through diversity and choice.

That is why we are pushing ahead with opening more academies, including, for the first time, primary academies. A record 144 academies have opened so far during this academic year and there are many more to come. That is indeed record progress—it took four years for the first 27 academies to open. We know that academies are working, as results continue to rise faster than the national average. As my hon. Friend the Member for East Hampshire (Damian Hinds) told the House, academies, specialist schools and other reforms across the world have shown that giving schools autonomy and allowing teachers and head teachers, rather than politicians and bureaucrats, to control schools is what drives up performance.

The early focus has been on outstanding schools, as we want the best schools to lead by example, sharing best practice and working with other schools to bring about sustained improvements to all schools in their area. We will do much more in our determination to tackle the problem of endemic disadvantage that we inherited from Labour. Our pupil premium will rise progressively to £2.5 billion by 2014-15, supporting the attainment of disadvantaged pupils and incentivising good schools to take on pupils from more disadvantaged backgrounds. The pupil premium will target extra funding specifically at the most deprived pupils to enable them to receive the support they need to reach their potential and to help schools to reduce inequalities, as the hon. Member for Liverpool, West Derby (Stephen Twigg) urged us to do.

We trust schools to make good decisions about how to spend the money to support deprived children and to narrow attainment gaps, and we need to, because the gaps that we inherited from the previous Government—the widening gap between rich and poor and the failure to address social mobility—were shocking. They were a damning indictment of that Administration and of the people sitting on the shadow Treasury Bench.

I respect all Members who contributed to this debate. I respect the experience of the hon. Member for Huddersfield (Mr Sheerman), the knowledge of my hon. Friend the Member for Redditch (Karen Lumley) and the concern of my hon. Friend the Member for Reading East (Mr Wilson). I know that people across the House want the best for our future and for our children. However, although some Opposition Members have woken up to the truth that the way to get the best is to put power in the hands of the teachers and to drive the system through the needs of learners, some are wedded to a failed past orthodoxy and we heard it again tonight. I hope that, as my right hon. Friend the Secretary of State said, the right hon. Member for Leigh (Andy Burnham) is not one of those who will defend the failures of the past. I hope that he will embrace reform and that he will come on the journey with us to a better schools system and a better future for our young people. I do not say that all those on the Opposition Benches are without heart. No party has a monopoly on concern or compassion, so I do not say that Labour Members are heartless—I say that their Front Benchers are witless.

Mr Alan Campbell (Tynemouth) (Lab) *claimed to move the closure (Standing Order No. 36).*

Question put forthwith, That the Question be now put.

Question agreed to.

Main Question accordingly put.

The House divided: Ayes 223, Noes 312.

Division No. 121] **[6.59 pm**

AYES

Abbott, Ms Diane
Ainsworth, rh Mr Bob
Alexander, rh Mr Douglas
Alexander, Heidi
Ali, Rushanara
Bailey, Mr Adrian
Bain, Mr William
Balls, rh Ed
Banks, Gordon
Barron, rh Mr Kevin
Bayley, Hugh
Beckett, rh Margaret
Begg, Miss Anne
Benn, rh Hilary
Benton, Mr Joe
Berger, Luciana
Betts, Mr Clive
Blackman-Woods, Roberta
Blears, rh Hazel
Blenkinsop, Tom
Blomfield, Paul
Bradshaw, rh Mr Ben
Brennan, Kevin
Brown, Lyn
Brown, Mr Russell
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burnham, rh Andy
Byrne, rh Mr Liam
Cairns, David
Campbell, Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Caton, Martin
Chapman, Mrs Jenny
Clark, Katy
Clarke, rh Mr Tom
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr David
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cunningham, Alex
Cunningham, Mr Jim
Cunningham, Tony
Curran, Margaret
Dakin, Nic
Danczuk, Simon
David, Mr Wayne
Davidson, Mr Ian
Davies, Geraint
De Piero, Gloria
Dobbin, Jim
Dobson, rh Frank
Docherty, Thomas
Dodds, rh Mr Nigel
Donaldson, rh Mr Jeffrey M.
Doran, Mr Frank
Dowd, Jim
Doyle, Gemma
Dromey, Jack
Dugher, Michael
Eagle, Ms Angela
Eagle, Maria
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Engel, Natascha
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Mr Frank
Fitzpatrick, Jim
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Francis, Dr Hywel
Gapes, Mike
Gardiner, Barry
Gilmore, Sheila
Glass, Pat
Glindon, Mrs Mary
Godsiff, Mr Roger
Goggins, rh Paul
Greatrex, Tom
Green, Kate
Greenwood, Lilian
Griffith, Nia
Gwynne, Andrew
Hain, rh Mr Peter
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Mr Tom
Havard, Mr Dai
Healey, rh John
Hendrick, Mark
Hepburn, Mr Stephen
Hillier, Meg
Hilling, Julie

Hodgson, Mrs Sharon
Hood, Mr Jim
Hopkins, Kelvin
Howarth, rh Mr George
Hunt, Tristram
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs Siân C.
Jamieson, Cathy
Johnson, rh Alan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Jowell, rh Tessa
Joyce, Eric
Kaufman, rh Sir Gerald
Keeley, Barbara
Keen, Alan
Kendall, Liz
Khan, rh Sadiq
Lammy, rh Mr David
Lavery, Ian
Lazarowicz, Mark
Leslie, Chris
Lloyd, Tony
Long, Naomi
Love, Mr Andrew
Lucas, Caroline
Lucas, Ian
MacShane, rh Mr Denis
Mactaggart, Fiona
Mahmood, Shabana
Mann, John
Marsden, Mr Gordon
McCabe, Steve
McCann, Mr Michael
McCarthy, Kerry
McClymont, Gregg
McFadden, rh Mr Pat
McGovern, Alison
McGovern, Jim
McGuire, rh Mrs Anne
McKechin, Ann
McKinnell, Catherine
Meacher, rh Mr Michael
Meale, Mr Alan
Mearns, Ian
Michael, rh Alun
Miliband, rh David
Miller, Andrew
Mitchell, Austin
Morden, Jessica
Morrice, Graeme *(Livingston)*
Morris, Grahame M. *(Easington)*
Mudie, Mr George
Murphy, rh Paul
Murray, Ian
Nandy, Lisa
Nash, Pamela
O'Donnell, Fiona
Onwurah, Chi
Osborne, Sandra
Owen, Albert
Pearce, Teresa
Perkins, Toby
Phillipson, Bridget
Pound, Stephen
Qureshi, Yasmin
Raynsford, rh Mr Nick
Reed, Mr Jamie
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Riordan, Mrs Linda
Robertson, John
Robinson, Mr Geoffrey
Rotheram, Steve
Roy, Mr Frank
Roy, Lindsay
Ruddock, rh Joan
Sarwar, Anas
Seabeck, Alison
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheridan, Jim
Shuker, Gavin
Skinner, Mr Dennis
Slaughter, Mr Andy
Smith, Nick
Spellar, rh Mr John
Straw, rh Mr Jack
Stringer, Graham
Stuart, Ms Gisela
Sutcliffe, Mr Gerry
Tami, Mark
Thomas, Mr Gareth
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Walley, Joan
Whitehead, Dr Alan
Wicks, rh Malcolm
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wood, Mike
Woodcock, John
Wright, David

Tellers for the Ayes:
Angela Smith and Mr David Hamilton

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Alexander, rh Danny
Amess, Mr David
Andrew, Stuart
Arbuthnot, rh Mr James
Bacon, Mr Richard
Bagshawe, Ms Louise
Baker, Norman
Baker, Steve
Baldry, Tony
Baldwin, Harriett
Barclay, Stephen
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Beith, rh Sir Alan
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Bingham, Andrew
Binley, Mr Brian
Birtwistle, Gordon
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bottomley, Peter
Bradley, Karen
Brake, Tom
Bray, Angie
Brazier, Mr Julian
Bridgen, Andrew
Brine, Mr Steve
Brokenshire, James
Brooke, Annette
Browne, Mr Jeremy
Bruce, Fiona
Bruce, rh Malcolm
Buckland, Mr Robert
Burley, Mr Aidan
Burns, Conor
Burrowes, Mr David
Burstow, Paul
Burt, Lorely
Byles, Dan
Cairns, Alun
Carmichael, Mr Alistair
Carmichael, Neil
Carswell, Mr Douglas
Cash, Mr William
Chishti, Rehman
Chope, Mr Christopher
Clappison, Mr James
Clark, rh Greg
Clarke, rh Mr Kenneth
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Cox, Mr Geoffrey
Crabb, Stephen
Crockart, Mike
Crouch, Tracey
Davey, Mr Edward
Davies, David T. C. *(Monmouth)*
Davies, Glyn
Davies, Philip
Davis, rh Mr David
de Bois, Nick
Dinenage, Caroline
Djanogly, Mr Jonathan
Dorrell, rh Mr Stephen
Dorries, Nadine
Doyle-Price, Jackie
Drax, Richard
Duddridge, James
Duncan, rh Mr Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Jonathan
Evennett, Mr David
Fabricant, Michael
Fallon, Michael
Featherstone, Lynne
Field, Mr Mark
Foster, Mr Don
Francois, rh Mr Mark
Freeman, George
Freer, Mike
Fullbrook, Lorraine
Fuller, Richard
Garnier, Mr Edward
Garnier, Mark
Gauke, Mr David
George, Andrew
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Greening, Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, Robert
Hames, Duncan
Hammond, Stephen
Hancock, Matthew
Hands, Greg
Harper, Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, Mr John
Heald, Mr Oliver
Heath, Mr David
Heaton-Harris, Chris
Hemming, John
Henderson, Gordon
Hendry, Charles
Herbert, rh Nick
Hinds, Damian
Hoban, Mr Mark
Hollingbery, George
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Horwood, Martin
Howell, John
Hughes, Simon
Huhne, rh Chris
Hunt, rh Mr Jeremy
Huppert, Dr Julian
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, Sajid
Jenkin, Mr Bernard
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kelly, Chris
Kennedy, rh Mr Charles
Kirby, Simon

Kwarteng, Kwasi
Laing, Mrs Eleanor
Lamb, Norman
Lancaster, Mark
Latham, Pauline
Laws, rh Mr David
Lee, Jessica
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Mr Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Macleod, Mary
Main, Mrs Anne
Maude, rh Mr Francis
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McIntosh, Miss Anne
McLoughlin, rh Mr Patrick
McPartland, Stephen
McVey, Esther
Menzies, Mark
Mercer, Patrick
Metcalfe, Stephen
Miller, Maria
Mills, Nigel
Milton, Anne
Mitchell, rh Mr Andrew
Moore, rh Michael
Mordaunt, Penny
Morgan, Nicky
Morris, Anne Marie
Morris, David
Morris, James
Mosley, Stephen
Mowat, David
Mulholland, Greg
Mundell, rh David
Munt, Tessa
Murray, Sheryll
Murrison, Dr Andrew
Neill, Robert
Newmark, Mr Brooks
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Mr Matthew
Ollerenshaw, Eric
Opperman, Guy
Paice, Mr James
Parish, Neil
Patel, Priti
Pawsey, Mark
Penning, Mike
Percy, Andrew
Perry, Claire
Phillips, Stephen
Pickles, rh Mr Eric
Pincher, Christopher
Poulter, Dr Daniel
Prisk, Mr Mark
Pritchard, Mark
Pugh, Dr John
Raab, Mr Dominic
Randall, rh Mr John
Reckless, Mark
Redwood, rh Mr John
Rees-Mogg, Jacob
Reevell, Simon
Reid, Mr Alan
Robertson, Hugh
Robertson, Mr Laurence
Rogerson, Dan
Rudd, Amber
Ruffley, Mr David
Russell, Bob
Rutley, David
Sanders, Mr Adrian
Sandys, Laura
Scott, Mr Lee
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simmonds, Mark
Simpson, Mr Keith
Skidmore, Chris
Smith, Miss Chloe
Smith, Henry
Smith, Julian
Smith, Sir Robert
Soubry, Anna
Spencer, Mr Mark
Stanley, rh Sir John
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Mr Graham
Stunell, Andrew
Sturdy, Julian
Swales, Ian
Swayne, Mr Desmond
Swinson, Jo
Swire, Mr Hugo
Syms, Mr Robert
Teather, Sarah
Timpson, Mr Edward
Tomlinson, Justin
Tredinnick, David
Truss, Elizabeth
Turner, Mr Andrew
Tyrie, Mr Andrew
Vaizey, Mr Edward
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Walter, Mr Robert
Ward, Mr David
Watkinson, Angela
Weatherley, Mike
Webb, Steve
Wharton, James
White, Chris
Whittaker, Craig
Whittingdale, Mr John
Wiggin, Bill
Willetts, rh Mr David
Williams, Roger
Williams, Stephen
Williamson, Gavin
Willott, Jenny
Wilson, Mr Rob
Wollaston, Dr Sarah
Wright, Jeremy
Yeo, Mr Tim
Young, rh Sir George
Zahawi, Nadhim

Tellers for the Noes:
Mark Hunter and
Mr Shailesh Vara

Question accordingly negatived.

Northern Ireland

Mr Deputy Speaker (Mr Nigel Evans): With the leave of the House, we shall take the two motions on Northern Ireland together.

7.13 pm

The Minister of State, Northern Ireland Office (Mr Hugo Swire): I beg to move,

That the draft Local Elections (Northern Ireland) Order 2010, which was laid before this House on 25 October, be approved.

Mr Deputy Speaker: With this we shall take the following motion:

That the draft Northern Ireland Assembly (Elections) (Amendment) Order 2010, which was laid before this House on 25 October, be approved.

Mr Swire: These orders update the law governing elections to the Northern Ireland Assembly and to district councils in Northern Ireland in advance of elections in 2011.

I will deal first with the Assembly order, which is much the smaller of the two. That is because the law governing elections to the Northern Ireland Assembly was substantially amended as recently as 2009. Since then, some minor procedural updates have been applied to European and parliamentary elections that, for consistency, should also be applied to Assembly elections. For example, article 3 of the order makes provision to allow a candidate standing in the name of two or more parties to have one of those party's emblems on the ballot paper.

It also enables a person who cannot sign his or her signature to use a mark in place of any signature required at the nomination stage. Article 4 requires individuals to give reasons if they request their absent vote to be sent to a different address from that at which they are registered. Those are clearly relatively small changes, but they nevertheless mirror updates made to the law since 2009 that apply at other elections in Northern Ireland, and they will provide for greater consistency.

The draft Local Elections (Northern Ireland) Order 2010 is the more substantial order, and provides a much-needed update of the law governing local elections in Northern Ireland. The Electoral Administration Act 2006 made a considerable number of changes to the law governing parliamentary elections across the United Kingdom. As I have indicated, those changes were applied to Northern Ireland Assembly elections and European elections in 2009, but have not yet been applied to district council elections in Northern Ireland. They are set out in schedule 1 to the order, and they include allowing returning officers to correct procedural errors and supply documents in other languages and formats.

Schedule 1 also makes provision for the control of donations to candidates in local elections in Northern Ireland, in line with the donation controls that apply at all other elections in Northern Ireland and across the UK. Schedule 2 makes changes to absent voting procedures, which again already apply at other elections in Northern Ireland. They include adding registered social workers to the list of those who may attest absent vote applications on the grounds of illness and disability, which will make it easier for people with disabilities who live in the community to apply for an absent vote. Schedule 3 aligns the law relating to access to and inspection of documents at local elections with procedures at all other elections in Northern Ireland.

The order also amends the local election rules contained in schedule 5 to the Electoral Law Act (Northern Ireland) 1962. That includes updating the list of acceptable forms of photographic ID that can be presented in order to vote in Northern Ireland, which is of course crucial to ensure consistency of approach for all polls in 2011.

The order is substantial, and I would not wish to detain the House by providing an in-depth description of each provision. I hope the House is satisfied that it contains small but important changes to the law that will provide much-needed modernisation of local election procedures in Northern Ireland and greater consistency with other elections across the UK.

Finally, article 3 of the local elections order sets the date of the next district council elections in Northern Ireland as 5 May 2011. Hon. Members will be aware that in 2008, the previous Government agreed to a request from the Northern Ireland Executive to postpone the local elections that were scheduled to take place in May the following year. The House subsequently approved legislation to postpone the election until 2011, on a date to be specified nearer the time. The postponement was to allow time for new local government boundaries to be redrawn as part of the overall review of public administration that was taking place in Northern Ireland. That review was to provide, among other things, for the number of district councils in Northern Ireland to be reduced from 26 to 11.

I regret to report that that reduction did not proceed as planned. Although the local government boundaries commissioner reported to the Executive with proposed new boundaries on time in 2009, an order has still not been brought before the Assembly to give effect to them. This June I made it absolutely clear to the Executive that there could be no prospect of further postponement of the elections beyond the two years previously agreed. I was also advised that further delay in passing the order to give effect to the boundaries would seriously jeopardise planning for elections in May 2011. The Executive therefore needed to take an urgent decision on whether the proposed new councils could be delivered in time to allow for elections to them in May 2011.

On 15 June I received confirmation from the Minister for the Environment in the Executive that the reorganisation would not now go ahead in 2011. I announced shortly afterwards that there was now no option but to hold elections to the existing 26 councils in May 2011. The local elections order will provide for that. I know that some hon. and right hon. Members may have concerns about those elections being combined with both Assembly elections and a potential referendum on the alternative vote. I have received the advice of both the Electoral Commission and the chief electoral officer on this matter, and both are confident that a combined poll in May 2011 can be successfully delivered if the risks are properly managed.

My officials are working closely with the commission and the chief electoral officer in the run-up to the polls to ensure that there is an early identification and resolution of any potential problems.

Mr Gregory Campbell (East Londonderry) (DUP): The Minister alludes to the difficulties that could be presented, with the distinct possibility—or probability—of our having three elections, using two different voting systems, on the same day. Will he ensure that as much co-ordination and co-operation takes place to ensure that after this legislation passes, which it undoubtedly will, the people of Northern Ireland get the maximum amount of information to ensure that they are fully prepared for what will be an unprecedented voting day next May?

Mr Swire: The hon. Gentleman is absolutely right: we must do that. In fact there are two elections, which will be held in the normal way for the people in Northern Ireland, and the third is just a straight yes/no vote. I hope that the people of Northern Ireland will vote in the same way as I will.

Naomi Long (Belfast East) (Alliance): The Minister mentioned that in his meeting with the Electoral Commission, it had indicated that it was happy to facilitate all the elections taking place on the same day, provided that the risks were properly managed. Will he also agree that the commission said that it needed to ensure that it is properly resourced, given that there will be complications involving, for example, the number of ballot boxes available, and a number of other logistical issues, which will require more expenditure than a regular election?

Mr Swire: The hon. Lady is absolutely right. Of course this needs to be properly resourced, and the necks of both the Secretary of State and myself are on the line if anything goes wrong. What we all want to avoid, on both sides of the House, are scenes such as those that we saw in the recent general election, when people were turned away from the polling stations. The matter is further complicated because some polling stations in Northern Ireland are quite small. There is also the issue of screening, and, as the hon. Lady said, of ballot boxes. I understand that the ballot boxes are being sourced at the moment. She is right to say that we must get it right, and to do that requires proper planning and funding.

As I was saying, my officials are working closely with the commission and the chief electoral officer in the run-up to the polls to ensure that there is early identification and resolution of any problems such as the ones that we have just heard about.

I hope that the House is satisfied that the vast majority of provisions in these orders will make small but important changes to provide for greater consistency with elections elsewhere in the UK. I also hope that hon. and right hon. Members are reassured that the necessary steps will be taken to ensure successful combined polls in May 2011, and will therefore agree that the date of the next local elections should be set for 5 May next year. I commend these orders to the House.

7.22 pm

Eric Joyce (Falkirk) (Lab): Northern Ireland has made remarkable political progress, and that has been integral to the whole peace process. There are many people both inside and outside Northern Ireland who deserve great credit for that. Enormous efforts have been made, as is reflected in the celebrated success to date. For the first time in a generation, the overwhelming majority of people can live peaceful lives free from violence. Nevertheless, Northern Ireland still has a particular political ecology and the situation remains fragile. That is why any proposals to change the way in which the electoral situation works in Northern Ireland require great scrutiny, consultation and forethought. It is clear to us, however, that in the Government's rush to gerrymander Scottish, Welsh and Irish parliamentary seats, they are failing to listen to the deep concerns of Northern Ireland politicians about how ill-considered changes could have negative consequences for Northern Ireland.

Clearly, the motivation and rationale behind the Parliamentary Voting System and Constituencies Bill, which will apply to Northern Ireland, are questionable. We support the principle of an AV referendum, yet the Government have refused to split it from the much more contentious matter of constituency design. The Government claim that over-representation is a primary driver of the changes, yet the UK sits in the middle of the EU table, with one MP per 110,000 people.

The Government have also said that the reduced number of MPs will save money, but it is hard to see how that can be true. There is no evidence that reducing the number of MPs will cut case loads, so unless the Government intend to make MPs less accessible to their constituents, they will have to resource MPs for the relative uplift in constituency size. It is worth noting that this week, the Under-Secretary of State for Justice, the hon. Member for Huntingdon (Mr Djanogly) suggested that people who will no longer qualify for legal aid because of the changes that the Government are about to implement should go to their local Member of Parliament. It is therefore clear that the Government are intent on increasing MPs' case loads in any case. That will need to be resourced, so savings seem unlikely.

Miss Anne McIntosh (Thirsk and Malton) (Con): I congratulate the hon. Gentleman on his position. Will he explain the relevance of his comments to the orders?

Eric Joyce: Yes, of course. The votes will take place on the same day, so the arguments that apply to the rest of the UK also apply to Northern Ireland. A particular complication is that, as a consequence of the orders, Northern Ireland will also have local government elections on the same day.

Indeed, taken together with the Government's plan for fixed-term Parliaments, the Parliamentary Voting and Constituencies Bill appears to be designed simply to assure the coalition a five-year term, with constituency redesign giving it the best chance of re-election. We therefore believe that it sits outside the margins of acceptable democratic practice.

The House of Lords has narrowly decided that the Parliamentary Voting System and Constituencies Bill is not hybrid, yet it is strange that the Government should decide that two Scottish constituencies will be treated as special cases and exempted, while Northern Ireland, where the Assembly may be directly affected by the measure, is not to be a special case. The strength of Northern Ireland's democratic institutions is crucial to the peace process, and the legislation governing the running of Northern Ireland Assembly elections was constructed specifically to ensure wide community representation. In his winding-up speech, will the Minister

assure the House that the changes that he intends to make will not affect the delicate balance in the Northern Ireland electoral system, especially for smaller parties?

Another primary concern is that the strict 5% thresholds, which are explicit in the Bill, will reduce the scope for the boundary commissioners to take local variables into account. Arithmetic will trump all other considerations and local communities will be split between constituencies. Professor Ron Johnson of Bristol university, for example, said that splitting some wards between constituencies will be inevitable. The Boundary Commission has confirmed that. Wards will no longer be the building blocks of constituencies. In many cases, natural geographical boundaries such as rivers will have to be ignored, as will community links and historical factors, which are so important in Northern Ireland.

According to the Boundary Commission, the threshold is also likely to lead to frequent reviews, which means that some constituencies will change with each review. That will further destabilise the relationship between local communities—

Mr Deputy Speaker: Order. The orders do not relate to thresholds. Can we please focus on the orders?

Eric Joyce: Thank you, Mr Deputy Speaker.

In the context of the reduced sensitivity to local variables, we believe that the constraints on local inquiries are especially serious. At a time of such significant changes, that is particularly important.

The political ecology in Northern Ireland is particular; it is different from that in the rest of the United Kingdom. The Government plan to change the electoral system and the constituencies in Scotland, England and Wales, and they are not taking sufficient account of the peculiar variables that apply in Northern Ireland. As a consequence of the orders, local elections will take place on the same day as other elections, and there could be additional complexity. It is important for the Government to take into account the different nature of Northern Ireland. We do not believe that they are doing that. Consequently, the best interests of the people of Northern Ireland, and of the United Kingdom as a whole, will not be served.

7.28 pm

Mr Nigel Dodds (Belfast North) (DUP): We do not often get three hours to debate Northern Ireland business. It is good that we will be here possibly till 10 o'clock.

Mr Deputy Speaker: Order. As the orders are being taken together, we have just an hour and a half.

Mr Dodds: May I express my great frustration and annoyance at our being denied time to debate these important matters? However, I am sure that your statement will come as a great relief to other hon. Members, Mr Deputy Speaker.

In all seriousness, as the Minister said, the orders are technical, although they flow from significant primary legislation, which we have already debated at some length since we returned from the summer recess.

On the issue of having the three elections on one day, the orders are designed to make the elections run smoothly and prevent difficulties in the conduct of the elections for the chief electoral officer, his officers and, not least, the electorate. That is welcome, particularly on issues such as making sure that the timetable is consistent for both the council elections and the Assembly elections. There has been some criticism in previous years in Northern Ireland about the rather strange timetable adopted for council elections compared with Assembly and parliamentary elections. If my memory serves me right, when I served in local government and had to submit nomination papers, that had to be done four and a half weeks before election day, so there seemed to be an inordinately long campaign for local government elections compared with others.

Obviously it is important that the timetable is synchronised and that issues such as postal and proxy votes are properly managed so that people applying for them receive one package through the post containing the necessary forms and one containing the three ballot papers. I am glad to hear that there will be three separate, differently coloured ballot papers. I am sure that we have all learned the lesson from Scotland—this never happened in Northern Ireland—when there was an attempt to have two different kinds of ballot on one paper. That was a big mistake and I am sure that it will never happen again.

We are where we are as far as the coincidence of the council and Assembly elections and the referendum is concerned. Obviously, it is preferable that, where possible, there are not so many choices on so many matters before the electorate on any given date, but people in Northern Ireland are used to having joint elections. Indeed, the council elections in 2001 and 2005 coincided with a Westminster general election. If memory serves me right, it may have happened before that. I know that at one time elections were deliberately brought together by the then leader of the Ulster Unionist party, which is no longer represented in this House, because he thought that it would increase turnout and support for his party. As with so many of his calculations, it did not quite work out that way on the day.

This is a sensible set of provisions for 5 May next year. The Minister referred to the date of the council elections for next year, and said that it was the result of the Executive not acting on the recommendation to proceed with the reform of local government. He did not go into the reasons for that, of course, but I would not want the House to be under the impression that this was the result of a lack of desire among most of the parties in the Assembly to make progress on the issue. Even if the reform did not lead to a reduction in the number of councils, other reforms were proposed, such as greater collaboration among councils and the various departments for which they are responsible. Unfortunately, it was not possible to achieve the major cost saving that would have accrued to councils in Northern Ireland because of the intransigence of one party, Sinn Fein, which rejected that constructive proposal. Therefore we are left having to proceed with the election with no real reform to local government due.

When costings were carried out for the council reforms, it became clear that there would have been considerable up-front costs. Given that the Northern Ireland block grant has been severely hit as a result of the recent comprehensive spending review, and the already severe restrictions, difficulties and challenges facing the Northern Ireland Executive on public expenditure, it was felt that

[Mr Dodds]

this was not an appropriate time to proceed with that particular reform. Obviously, when it comes to choosing between council reform and health expenditure, education and so on, people are right to choose the latter. That is the background to the reason for the proposals for the date of the election and why they will involve the same number of councils as previously.

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): The hon. Member for Falkirk (Eric Joyce), who spoke for the Opposition, referred to the reduction in the number of constituencies in Northern Ireland that may result from legislation going through Parliament at the moment and wondered what would have happened had there been a reduction in the number of councils. Is there not a danger in Northern Ireland that the larger we create constituencies and councils, the more removed government becomes from the people?

Mr Dodds: My right hon. Friend is absolutely right to draw attention to that. The previous Government proposed reducing the number of councils to seven. I am the first to support a reduction in governance and the number of elected officials and all the rest of it, but a reduction to seven councils would have meant that Northern Ireland councils would be bigger than any other region of Europe. I am sure that the former Minister, the right hon. Member for Wythenshawe and Sale East (Paul Goggins), will go into considerable detail on that in his speech.

The lack or inadequacy of consultation on the primary legislation with parties in the Assembly and the Executive has been mentioned. I do not want to go over that, but consultation on Assembly and local elections with the chief electoral officer of Northern Ireland is mentioned in the orders and the explanatory memorandum. I recently met the new chief electoral officer. He is a very impressive officer and I think he will do an excellent job, but it is clear that he sought, during consultations on both the primary legislation and the secondary legislation that we are debating, some changes to the way in which elections are carried out that were not proposed by the Northern Ireland Office.

I am thinking in particular about the removal of polling agents from Northern Ireland polling stations. The Minister is nodding his head, so perhaps he has held discussions on polling agents. This is an important matter. Commendably, we have a sophisticated and elaborate system to tackle identity fraud and the abuse of the electoral system. As has been said, people must now produce certain types of photographic identification or sign postal votes, and their signatures are carefully examined. Postal and proxy vote abuse has been considerably reduced from the large-scale abuse that took place in previous elections. Our system is a model for dealing with postal votes for the rest of the UK. If the rest of the UK wants to cut out the abuse of postal voting, people should look at the administration and regime in Northern Ireland. Clearly, our system is now without any kind of abuse at all.

However, why do we still need polling agents—representatives of political parties—sitting in polling stations in Northern Ireland? The NIO, which is still responsible for elections, should address that, because it is clear that one or two parties—I am thinking of one in particular—clearly abuse that for purposes not in keeping with the legislation. Information is taken out of polling stations, so that voters who have not voted can be identified and then, of course, visited. They will be asked, "Why have you not voted?" and told to get out to vote. In certain parts of the Province and in certain circumstances, people will feel intimidated by that, so polling agents are being used for nefarious purposes. I urge the NIO to take that seriously when it next gets a legislative opportunity.

Naomi Long: Does the right hon. Gentleman agree that one difficulty is that when people are approached in those circumstances and they realise that the information has been garnered at the polling station, they fear that the fact of how they have voted is also available? People are often quite intimated by the notion that the ballot is less than fully secret.

Mr Dodds: The hon. Lady is absolutely right. We might sit in the comfort of this Chamber and know that the ballot is secret and that the information cannot get out, but for a lot of people, exactly the scenario that she has painted is what they believe to be the case. They believe that because information has been gathered on whether they have voted thus far, people will be able to find out how they have voted, and the people who call at their doors make no effort to disabuse them of that notion either. This is an important matter. Nowadays there is no reason at all for that provision to remain, if we really are going to ensure that we have fair and clean elections in Northern Ireland. As has been mentioned on a number of occasions, the ecology of the electoral system is different—and it is different: people are more easily intimidated by the way certain parties operate—so removing that provision would be a step towards improving the democratic process and making people less concerned about exercising their franchise.

The management of elections by the chief electoral officer and the issue of resources, which is an important point, have already been mentioned. In my discussions with the chief electoral officer, the point that he laid most emphasis on was resources. The matter of ballot boxes has also been raised, which is another issue that I know has been discussed. All sorts of imaginative suggestions have been canvassed, and I hope that it will be possible to find a sensible solution that minimises costs.

There is also the issue of polling stations. The Minister referred to the fact that polling stations in Northern Ireland were sometimes smaller than they are elsewhere. Again, I would urge him in his discussions with the Electoral Office for Northern Ireland to do what I have done, which is to urge the authorities to be a bit more imaginative when it comes to the buildings and premises that they use as polling stations. People are too fixated on the traditional buildings—"We've always used this building and we can't depart from tradition"—whereas new premises have sprung up, and many people are used to doing things differently. Sometimes the electoral officers are far too hidebound by the past in managing this issue, so I would again urge the Minister in his discussions respectfully to ask the chief electoral officer to be much more flexible. There is a consultation under way—certainly in my constituency, and I am sure in

those of other hon. Members—that is closing in December on the very issue of polling stations, so this is an opportune moment for the matter to be pursued.

Finally, so as to leave plenty of time for others who wish to contribute to this debate, let me say something about enforcement. The local elections order is fairly substantial, as the Minister said, as is the Assembly order. When I read through the detail of all the rules, what struck me was this: what happens when those rules, particularly those applying to the conduct of the election by candidates and parties, are breached? In my experience, it seems that we can prescribe all sorts of rules, from rules on the colour of ballot papers to rules on whether the X or the "1" should be marked in black pen or in pencil—we debated that in the primary legislation—or what would constitute a clear preference, all of which are matters of great detail. Indeed, the forms are set out in incredible detail in the legislation, so the issue is extremely important. Yet I have found that when matters are drawn to the attention of the authorities—the chief electoral officer and then the people responsible for prosecuting such matters—very little is ever done about breaches of the rules.

I want to refer to a matter that I raised during the debate on the primary legislation on the parliamentary voting system. One party in Northern Ireland—Sinn Fein—seems to be adept at producing detailed replicas of polling cards and other official material. On one side they appear to be authentic, but the other side has party political propaganda, some of it of a vicious nature, designed to persuade people that not only is Sinn Fein recommending voting a certain way, but that the electoral authorities are also doing so.

There were examples of that practice during the last Westminster election. One was in the constituency of the hon. Member for Foyle (Mark Durkan), and there was at least one in my constituency. There were also other illegal practices. The matter was drawn to the attention of the then chief electoral officer, who took the matter seriously, and it has been referred on to the authorities to consider what action should be taken. We know that there are serious consequences, and we will watch carefully, as will the electorate and the people of Northern Ireland, as well as the media, to see what happens about a clear and flagrant breach of electoral law.

I do not expect the Minister to respond in any shape or form on the specifics of a case, but I raise the matter because it concerns me that from time to time in Northern Ireland elections, whether local, Assembly or Westminster elections, all sorts of illegal practices go on. Vast amounts of money are spent, the election returns show that only a small amount was spent. Although everyone knows that tens of thousands of pounds have been spent but never declared. Such matters should be taken seriously.

It is all very well to pass legislation, regulations and rules. We debate them at length, and scrutinise them properly, but we must ensure that there is effective and proper enforcement, otherwise people will take the signal that at the next election they can push the boundaries even further and get away with far worse. That is insidious, and it needs to be stamped on. I am happy to lend my support and that of my right hon. and hon. Friends to the orders.

7.47 pm

Paul Goggins (Wythenshawe and Sale East) (Lab): It is always a pleasure to follow the right hon. Member for Belfast North (Mr Dodds), but I hope that I do not disappoint him with the length of my speech, which will be very short. As the Minister who, in January last year, took through the order to postpone the elections in 2009, I thought I owed the House at least one or two brief comments.

First, I thank the Minister for keeping the promise that I made in Committee last January that the Northern Ireland council elections would be held in 2011. Members of the Committee questioned what guarantees there would be that council elections would be held that year, and I asked them to back my judgment, which they did. I am not in a position to deliver on that judgment now, but the Minister is, and I thank him for following through my commitment.

The Minister explained that the reason for the delay was connected with the review of public administration, an initiative that began with the Executive in 2002. Direct rule Ministers took it over, but it then quite rightly returned to the Executive as their responsibility in 2007. Indeed, I remember that in 2007 Ministers in the Executive took up the issue with some relish because they could see the merits of greater efficiency by reorganising public bodies, whether health, police or local government.

In April 2008, the then Minister for the Environment, Arlene Foster, wrote to the then Secretary of State, my right hon. Friend the Member for St Helens South and Whiston (Mr Woodward), with a request that the council elections be delayed for two years to 2011. She made the compelling case on behalf of the Executive that the complexity of reorganising the local council structure and boundaries was quite a challenge: the single transferable vote system would require new council wards, new districts and new grouping of district electoral areas. Although we were reluctant to take the dramatic step of cancelling elections, we felt that, in view of the exceptional circumstances, it was justifiable and we introduced the necessary legislation.

I had further extensive discussions with Arlene Foster's successor, the hon. Member for East Antrim (Sammy Wilson), and his successor in the role, Edwin Poots. It is of course a matter of regret that Edwin Poots wrote to the Minister in June this year to say that, for various reasons, it would be impossible to proceed with the changes to the local council boundaries. Great frustration was expressed about that, not least, I am sure, by the Minister himself because he will be able to see the advantages involved. None the less, these challenges must now be tackled by the Executive Members and by the Minister for the Environment in Northern Ireland, rather than by this House. Indeed, if I were to stray and to offer any more opinions to the right hon. Member for Belfast North and his colleagues, they would soon intervene on me.

Some concerns remain, however, and I should be interested to hear the Minister's comments. Having now set the date for the council elections in 2011, the pressure for local government reform is off, in a sense, which is a pity because I am sure that the Minister in the Executive will want to see the reforms put in place, as will other Members of the Executive. There would be great dividends if that were possible. Will the Minister tell us tonight

[Paul Goggins]

whether there are any signs of progress? If reform were to pick up apace, would he be prepared to come back to this House with a proposition to bring forward the date of the next local council elections in Northern Ireland, which would otherwise happen in 2015?

Mr Dodds: The right hon. Gentleman was much respected for the work he did as a Minister for Northern Ireland, but any notion of bringing forward the date of the next council elections from 2015 would not find favour with the parties in Northern Ireland, not least because it would be deeply unfair on those who had been elected on the basis of a four-year term suddenly to say to them, "Your term is going to be truncated." So although I understand where he is coming from, and the sentiments that he has expressed, I urge him to rethink that proposition.

Paul Goggins: The right hon. Gentleman makes a fair point, but I am sure that he will share my concern, given his deep knowledge of the electoral system in Northern Ireland, that the council boundaries are way out of date. There is therefore some urgency in trying to move to new council boundaries that reflect a more modern approach. I do not expect a positive answer from the Minister about bringing forward the date of the next local council elections after 2011, but I urge all right hon. and hon. Members to see this as an urgent matter and not one that can simply be left on the shelf. I am concerned that, with the introduction of the Parliamentary Voting System and Constituencies Bill, attention will now be focused more on constituencies and away from local government structure in Northern Ireland, and anything that will maintain the sense of urgency about the need for the local government reform will be a good thing. I repeat, however, that these are no longer matters for this House; they have now quite rightly been devolved to the Executive in Northern Ireland.

There is also the question of the practical implications of holding the various elections on the same day. I know that the Minister said he had consulted on this, and that he was confident they could all be held on the same day. I pay tribute to all those who administer the elections in Northern Ireland professionally and effectively, and I do not call into question their ability to conduct those elections one bit, but there is a debate about the various issues that are at stake: elections to the Assembly, elections to local councils and, probably, the question of whether to have an alternative vote system or not. That has been debated endlessly elsewhere. We are talking about elections using the single transferable vote system for councils and for the Assembly, which is very complicated and takes time. I urge the Minister to keep up the pressure on those who will administer the system to make sure that all the right questions are asked and answered.

There is the further point—I am sure that Minister will have considered it—that if the Fixed-term Parliaments Bill is passed as drafted, in 2015 we will have council elections, a general election and Assembly elections on the same day, using different—possibly very different—electoral systems and under new boundaries. This will be the height of complication. Again, I urge the Minister to pay close attention. He said in the course of his remarks that his neck is on the line. I well know that feeling, but I am sure he will do a fine job.

Martin Horwood (Cheltenham) (LD): Surely the height of complication would be the situation in American states such as Montana, where people voted for the American President, for the Congress, for the state governor, in state elections and sometimes even in local elections—sometimes with additional propositions as well. They seem to manage it in Montana, so surely they could manage it in Northern Ireland.

Paul Goggins: I am not saying that those who administer elections in Northern Ireland would be incapable of doing so. I am simply making the point that this will place a burden on the system in Northern Ireland that it has never faced before. There are also implications for the electoral cycle. In perpetuity—unless the Minister offers alternatives—council elections and Assembly elections will always be held on the same day in Northern Ireland on a four-year cycle. Again, I think that should be a cause for reflection. However, I have nothing but good wishes for the Minister in ensuring that all these issues are dealt with. I am sure he will do very well. In so far as he ensures that these elections are held properly in 2011 and subsequently, he will have my full support.

7.57 pm

Naomi Long (Belfast East) (Alliance): I support the orders. I would like briefly to raise a number of issues, some of which have already been touched on by other Members.

First, I express my disappointment that greater progress has not been made on the review of public administration in Northern Ireland, particularly as the local government elections were postponed to facilitate that process. It has become something of a political soap opera—not quite as long running as "Coronation Street" and certainly not as entertaining. It has not reached a satisfactory conclusion as yet, and there seems to be little prospect that it will—despite the fact that it has cost a lot of money. Most people would have liked to have seen this issue brought to a more satisfactory conclusion.

Given that the last local government elections were held almost six years ago there is a democratic deficit, so it is important to give people the opportunity to refresh their mandate in local government. It is disappointing that this is being done in the absence of reform.

I noted what the right hon. Member for Wythenshawe and Sale East (Paul Goggins) said about the possibility of bringing the elections forward, but I concur with the right hon. Member for Belfast North (Mr Dodds) as I do not believe that further tampering with the electoral cycle is the best way of dealing with the issue. I agree that there is an urgency about taking the review of public administration forward in Northern Ireland. However, local government has demonstrated in the past its ability to co-operate even under its current structures—through arc21, for example, which deals with a number of councils' waste. At the very least, we should expect enhanced co-operation so that some savings can be made without having to tamper with the cycle further.

I seek the Minister's reassurance about photographic identification. In May, Westminster elections and council by-elections were held on the same day in my constituency. People turned up to vote, only to find that their

photographic ID was admissible for one election but not for the other. This caused extreme distress, particularly for older people, who were relying on transport passes to get the correct photographic ID. They were not able to vote in both elections, as they had expected. I hope that the arrangements involving identification documents can be simplified so that when people turn up at polling stations, they are fully confident that they will be able to cast their votes.

I hope that the Minister will reflect on another issue, although I do not expect a full answer from him this evening. Given that the qualification to vote is established when the electoral register is compiled, which means that people who are on the register and duly marked down for an election have the right to vote in it, the purpose of ID is simply to establish exactly who they are. However, there remains a restriction for foreign nationals who have a right to vote in elections, but no right to use their passports from their home nations as a means of identification. They experience significant difficulties when they try to vote in elections in which they are entitled to vote, but cannot obtain valid identification documents. Given that the purpose of the documents is simply to prove that individuals are the individuals listed in the register, I think that the matter should be dealt with to ensure full participation in the community by those who wish to vote.

Along with other Members, I have already raised concerns about the holding of three elections on the same day next May. The Minister made quite a brave statement when he said that his neck would be on the line if the logistical issues were not handled well. It remains to be seen whether people will want to hold him to that commitment, but I have to say that this is not just about the logistical issues, although they are hugely important. Of course we want the Electoral Commission to be properly resourced to ensure that the elections can be discharged fairly, but we should also consider the democratic deficit that may result from the holding of elections at the same time.

There is always a risk that the Assembly elections and the issues connected with them—I think that it usually happens this way round—will obscure important debates about local governance in relation to local government elections. We need to consider how much media coverage is given to the local government debate, which has a direct impact on people's lives but tends to be less glamorous—for want of a better word—than the issues dealt with in the Assembly. However, there is a chance that both issues could be overshadowed by the national campaign on the referendum. In Northern Ireland particularly, for obvious reasons, people might focus on the Assembly election, given its importance, rather than on the impact of electoral reform and local government.

A number of Members have said that we could surely cope with these complex elections, and it is true that ours is a very sophisticated electorate. There was a period during which we had an election, if not two, almost every year. People have become accustomed to voting and to how to cast their votes. The electorate are sophisticated in terms of being able to manage the electoral process, and, as others have pointed out, we have had two elections on the same day before. Nevertheless, the additional complication caused by a third election on a very different issue causes me some concern.

I believe that the combination of the local government and Assembly elections, while not ideal, may be manageable. I seek the Minister's reassurance that he will do all in his power to ensure that people are fully informed about the issues on which they are voting and the consequences of their votes, particularly with respect to the referendum and the two elections that will take place on the same day, and to ensure that the Electoral Commission is properly funded in order to be able to notify people.

Mr Dodds: The Electoral Office for Northern Ireland, or perhaps the Electoral Commission, has a responsibility to urge people to vote much earlier in the day. We have already experienced problems with queuing, and given that there will be separate ballot boxes, the process will take much longer on this occasion. It is therefore vital for a press and media campaign to be organised officially at an early stage. People must be told, "Do not do what you normally do and wait until the last minute, or after teatime; get out and vote earlier." That would be a very profitable campaign on the part of the commission.

Naomi Long: I entirely agree. I think it hugely important for people to be encouraged to cast their votes at the earliest opportunity. When people have turned up with the wrong documentation, it has been useful for them to be able to revisit the polling station if necessary. However, it would be beneficial generally if we could prevent what tends to be a post-teatime rush, with queues forming late in the day. I hope that that can be impressed on the Electoral Commission, and that the commission can be properly resourced so that its campaign is foremost in people's minds. People have become accustomed to voting at times of the day that are convenient for them. On this occasion, there will be three different elections with three different ballot papers, and it is important that people recognise how much time will be consumed in filling them in.

I seek the Minister's reassurance particularly in respect of photo-ID and ensuring that people are properly informed about the nature of the elections taking place on the day.

8.5 pm

Mr Jeffrey M. Donaldson (Lagan Valley) (DUP): I will be brief, as there are just a couple of issues that I want to raise with the Minister.

Wards are the building blocks for both local government districts and parliamentary constituencies, and one of the consequences of the delay in the local government elections is that the ward boundaries have not been reviewed for a considerable time. In my constituency, as a result of the most recent parliamentary boundary review, the ward of Derriaghy is now split between the Lagan Valley constituency and the Belfast West constituency. It is the only ward in Northern Ireland that is split. Other wards need to be reviewed, as there have been significant population movements since the last ward boundaries revision.

As a result of legislation currently passing through the House, we now face the prospect of new parliamentary boundaries being created and a reduction in the number of constituencies, possibly from 18 to 15 in Northern Ireland. That review will take place on the existing ward structures. I therefore seek an assurance from the Minister that we will have a review of the ward boundaries at a

[Mr Jeffrey M. Donaldson]

very early date. That has been held back because of the review of local government, but the boundaries are now significantly out of date and there are disparities in ward sizes—and, as I have mentioned, in at least one case a ward is split between two parliamentary constituencies. We would be interested to hear what proposals the Minister has in respect of the urgent need to review ward boundaries in Northern Ireland.

My second question relates to the counts that will follow the two elections and the referendum in Northern Ireland next year. What will be the order of precedence for those counts? Will the referendum be counted first, because it is a UK-wide referendum? Will the Assembly election count take place before the local government election count, as has been the case in the past? Will the Minister give us some idea as to what will be the order of the counting of votes following these three separate ballots, and will they all take place in the one counting centre in each of the local areas, or will the referendum ballot be counted separately? I seek clarity on these matters.

8.7 pm

Mr Swire: This has been an interesting debate and a number of interesting points have been raised. The shadow spokesman, the hon. Member for Falkirk (Eric Joyce), touched only lightly on the proposed legislation under discussion, and seemed to refer rather more to the Parliamentary Voting System and Constituencies Bill. He talked about various topics including the House of Lords, Scotland, the boundary commissions and a number of MPs, none of which related to what we are discussing tonight, but his comments were nevertheless interesting for my ministerial colleagues who are present in the Chamber, as they have been discussing that Bill for many days.

The hon. Gentleman said that the changes to the Northern Ireland electoral system are confusing. The changes we propose ensure consistency across all elections in Northern Ireland, making the electoral system clearer for candidates, administrators and voters, and the changes are minor and principally administrative.

The right hon. Member for Belfast North (Mr Dodds) asked a number of interesting questions. He talked about electoral law offences. It is worth putting on record that if a person is suspected of committing such an offence, the chief electoral officer should refer the matter to the police and the prosecuting authorities. Prosecutions are a matter for the Public Prosecution Service, of course. He also talked about the timetabling of local elections. Local election procedures regarding the timetable will now be aligned with the Northern Ireland Assembly timetable by virtue of this order.

The right hon. Gentleman also talked about a subject that I discussed: polling agents. As the former Northern Ireland Minister, the right hon. Member for Wythenshawe and Sale East (Paul Goggins), will no doubt remember, the previous Government undertook a full public consultation on that in 2008. There was no consensus then on whether they should be abolished. It is also worth noting that the law allowing for polling agents applies across the UK, but we will review this again after the May 2011 elections. I must confess that I have a considerable interest in this point and am more than happy to discuss it with the right hon. Member for Belfast North over the coming months.

Mr Dodds: I look forward to those discussions. The Minister mentioned a lack of consensus. Obviously we will not get consensus across all the political parties, for the very reasons that I outlined. Would he not put a lot of weight on the views of the chief electoral officer, who surely has an independent view on all this in terms of the conduct of elections?

Mr Swire: I do not think that I am breaking any confidences by saying that I have discussed this matter with the chief electoral officer and his predecessor. I can only say that I am more than happy to discuss it with the right hon. Gentleman. I have considerable interest in this and considerable sympathy with where he is coming from. He also raised the issue of political donations. As he will know, the consultation on the provision for donations to political parties in Northern Ireland to be made confidentially concluded on 25 October, and we are considering how best to take that forward.

The right hon. Member for Wythenshawe and Sale East spoke, as usual, intelligently and with tremendous knowledge. I know that he shares my frustration that things have not moved along as much as we would have liked on local government reorganisation. He asked whether there are signs of progress, and one hears from time to time various rumblings coming from the hill. The answer is that we must not relax on this matter and we must keep up the pressure, and he was right about that. I shall return to that in a moment, if I may. He also spoke about the combined elections in 2015 and he will not be surprised to hear that no decision has yet been taken—we are trying to get through next year first. I would prefer to await the outcome of the combined polls in 2011 before taking a decision on whether it is desirable to combine elections in 2015 or whether a provision should be made for their separation.

I was asked what the Government are planning to do about the coincidence of elections in 2015. I am writing to all Northern Ireland parties setting out our proposed approach and requesting their views. It should be remembered—we have been discussing this recently in terms of other legislation—that the Secretary of State already has a power to alter the Assembly election date by two months. We will see whether we need to do that at that time.

The right hon. Member for Lagan Valley (Mr Donaldson) talked about outdated boundaries. We would very much hope that the Executive have agreed new boundaries to ensure that they are updated well in advance of 2015, but in any case, I am proposing to write to the Minister for the Environment to take forward such a review immediately after the 2011 elections. I believe I am right in saying that the current boundaries are 19 years old, which is not at all acceptable, so clearly this is something that they need to get on with, regardless of local government reorganisation.

The right hon. Member for Wythenshawe and Sale East asked whether we would bring forward elections. We have received no such request and we would need to consider such a proposal carefully, as we would want to ensure that the transition to new councils and the new set-up was in its final stages. We do not want to chop

and change dates without good reason. He would probably support that approach, given that he said that it was with extreme reluctance that he postponed the date of the original election; I believe he said that he did not do that lightly. Nor should we tamper with this. We will have elections in May, but we need to keep up the pressure.

The hon. Member for Belfast East (Naomi Long) raised some interesting points about ID, which I had raised with officials today. It is true to say that this order ensures that requirements at all elections are now consistent in Northern Ireland. I am told that people will be able to use the Translink smartpass, provisional driving licence and other smartcards. She also asked about foreigners and foreign ID. It is true that someone can now use an EU driving licence or an EU passport to vote in Assembly and local elections.

Naomi Long: One example that we had a problem with was non-EU documentation, such as that from Commonwealth countries. For example, people who are resident ordinarily in Northern Ireland and have Canadian or Indian passports cannot use them as a document to vote, even though they are entitled to vote in that election.

Mr Swire: The hon. Lady raises a good point. We should make it perfectly clear well in advance of the elections what photo ID will be acceptable. There could be nothing more frustrating than queuing to take part in three elections, arriving almost as the clock is striking 10 o'clock, only to be told that one has the wrong form of ID. That is something we should consider and, again, we need to be properly prepared. We would not want people in any great numbers—or, indeed, any individual—to feel that they had been disfranchised because they were not aware that their ID, which they thought was quite proper and which could be used on airlines and so on, was not appropriate for an election. We heard loud and clear what the hon. Lady had to say.

The hon. Lady also asked about the Assembly election dominating debate, leading to local issues being ignored. It is worth pointing out that, as the right hon. Member for Belfast North mentioned, local elections were held successfully alongside Westminster elections in Northern Ireland in both 2001 and 2005. The hon. Lady said that Northern Ireland has a sophisticated voting population, and it is up to the individual candidates to set fire in the minds and hearts of their potential electorate—*[Interruption.]* Not literally, but in terms of trying to get interest in the election. I think the hon. Lady is probably wrong on this point because having three elections, albeit two voting one way and another being a straight yes or no, will mean that people will talk about the elections much more. I would not be at all surprised if we had a very good turnout. I do not think that one issue should eclipse the other—I think that we are going to have a very political new year.

The right hon. Member for Lagan Valley mentioned ward boundaries. Again, that is a matter for his colleague the Environment Minister in the Executive, but, as we have said, we cannot go on working on boundaries that are nearly 19 years out of date. He also asked a specific question about the electoral night, and I am looking forward to the morning after, which I hope will be one without too much trouble. I am told by the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Forest of Dean (Mr Harper), that the Electoral Commission's recommendation is that the Assembly election should be first, the referendum second and the local government election third, on the Monday. I believe that that has already been published.

It has been an interesting debate, but not a controversial one. The legislation is necessary to tidy up some anomalies. The contributions made by right hon. and hon. Members of all parties will be listened to by the Electoral Commission and the chief electoral officer. Let us hope that we have a good day next year.

Question put.

The Deputy Speaker's opinion as to the decision of the Question being challenged, the Division was deferred until Wednesday 24 November (Standing Order No. 41A).

NORTHERN IRELAND

Motion made, and Question put,

That the draft Northern Ireland Assembly (Elections) (Amendment) Order 2010, which was laid before this House on 25 October, be approved.—*(Mr Swire.)*

The Deputy Speaker's opinion as to the decision of the Question being challenged, the Division was deferred until Wednesday 24 November (Standing Order No. 41A).

Business without debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)).

Disabled Persons

That the draft Disabled People's Right to Control (Pilot Scheme) (England) Regulations 2010, which were laid before this House on 12 October, be approved.—*(James Duddridge.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)).

Health and Safety

That the draft Justification Decision (Generation of Electricity by the EPR Nuclear Reactor) Regulations 2010, which were laid before this House on 18 October, be approved.—*(James Duddridge.)*

The Deputy Speaker's opinion as to the decision of the Question being challenged, the Division was deferred until Wednesday 24 November (Standing Order No. 41A).

Motion made, and Question put forthwith (Standing Order No. 118(6)).

That the draft Justification Decision (Generation of Electricity by the AP1000 Nuclear Reactor) Regulations 2010, which were laid before this House on 18 October, be approved.—*(James Duddridge.)*

The Deputy Speaker's opinion as to the decision of the Question being challenged, the Division was deferred until Wednesday 24 November (Standing Order No. 41A).

Motion made, and Question put forthwith (Standing Order No. 118(6)).

Regulatory Reform

That the draft Legislative and Regulatory Reform (Regulatory Functions) (Amendment) Order 2010, which was laid before this House on 21 October, be approved.—*(James Duddridge.)*

Question agreed to.

EUROPEAN UNION DOCUMENTS

Motion made, and Question put forthwith Standing Order No. 119(11)).

EU Rule of Law Mission in Kosovo

That this House takes note of the unnumbered Explanatory Memoranda, dated 2 June 2010 and 29 September 2010, from the Foreign and Commonwealth Office on two Council Decisions amending and extending Joint Action 2008/124/CFSP on the European Union Rule of Law Mission in Kosovo (EULEX); and agrees with the Government that the mission is making an important contribution to improving the rule of law in Kosovo.—(*'ames Duddridge.)*

Question agreed to.

Ward Closures

Motion made, and Question proposed, That this House do now adjourn.—*(James Duddridge.)*

8.21 pm

Miss Anne McIntosh (Thirsk and Malton) (Con): I am delighted to have secured the opportunity to debate these issues. The national health service is a national treasure. During any one year, all of us will have cause to visit a GP or hospital or to see a nurse, or we have a family member or friend who will do so. Members of my family have devoted years of service to the health service as GPs, a surgeon or nurses. I record my utmost admiration for all those working in the national health service.

The purpose of this debate is to consider the decision-making process in ward closures and other major service changes. I particularly invite the Under-Secretary of State for Health, my hon. Friend the Member for Guildford (Anne Milton), to address in her response the lack of consultation over the closure of Ryedale ward at Malton hospital. I regret both the closure and the lack of consultation.

I shall analyse the reasons for closing Ryedale ward at the end of the so-called pilot project and look at the consultation procedure at that stage. I shall highlight the need for services and care provision in a sparsely populated, deeply rural area, with an increasingly ageing population.

People care passionately about their local hospital and greatly value their general practitioner. Thirsk and Malton are well served by three community hospitals—Lambert hospital in Thirsk, St Monica's in Easingwold and Malton community hospital. In addition, there are acute hospitals at Scarborough and York and Friarage hospital at Northallerton. What increasingly alarms me is the trend over recent months to remove much-needed services from community hospitals, such as the minor injuries units at Lambert hospital and Friary hospital, in the constituency of my right hon. Friend the Foreign Secretary. Diagnostic services are being removed from Malton hospital, diabetes test strip services are being stopped and there is a rumour that the operating theatre at Malton is due to close within two weeks. Furthermore, there is a threat to decommission all enhanced services in the last quarter of the year—again without consultation.

The local area medical committee has written to the Secretary of State for Health to raise those issues, and particularly to draw my right hon. Friend's attention to the threat to decommission enhanced services locally, including chlamydia screening, smoking cessation, complex drug monitoring and other services. The primary care trust held no consultation about the cuts with local practitioners. The committee believes that the cuts are damaging patient care and that they will undermine the strategic aim to provide services at lower unit cost, nearer to patients in the community. The hard work and good will of GPs are being pushed to the limit by the expectation that GPs will absorb more and more cuts and accept an increased work load. There is a threat that the blinkered goal of financial balance and short-termism, following seven years of unchecked cuts, will cause irreparable damage to primary care and leave GP practices damaged and disengaged.

There is a definite pattern in the way that services at community hospitals are being cut without consultation. The Ryedale ward, which was one of two wards at Malton hospital, the other being the Fitzwilliam ward, had 21 beds. It was recently refurbished at a cost of £1.25 million, a quarter of which was raised locally. It opened in May this year. I had cause to visit the refurbished service during my extended election campaign. Patients in Ryedale ward received intensive rehabilitation after a fall or an operation, allowing them to return safely to their home environment.

The ward closure has been termed a pilot scheme, but I am mindful that once a ward has been closed, it is difficult to re-open it. Importantly, the primary care trust in this instance is both the commissioner and the provider of services at Malton hospital. This is most unusual. It is now frowned on as unacceptable and, I understand, is being stopped through the Transforming Community Services agenda.

The way in which the ward was closed is a textbook example of how not to proceed. First, the primary care trust claimed that there was no question of Ryedale ward at Malton hospital closing. Then, after a decision taken on 23 September, the beds were removed from the ward by stealth until there were none remaining and the ward was effectively closed on 19 October. Even at a private meeting with the Health Minister and me on 12 October at the Department of Health, the PCT could still not admit that the ward was closing. Before the closure there had been almost no consultation of the relevant GP practices across the Ryedale area, or of nurses or patients.

Yesterday I lodged a petition with the signatures of more than 1,800 residents of the Ryedale area, strongly objecting to the way that the bed closures had happened without public consultation. I have had a large mailbag from constituents and heard many testimonies of the excellent care that patients received, to their satisfaction and to that of their loved ones, in the Ryedale ward at Malton hospital. The correspondence has been universally against the closure of the ward.

Many local health practitioners are wary of the so-called hospital at home scheme replacing care on a ward. There is deep concern that no advance warning or training was given before the hospital at home scheme was announced as part of the ward closure. Some patients require hospital treatment, although others might prefer to be treated at home. The scheme may lead to patients being admitted as an emergency to an acute ward, which is distressing and more costly than care on a community ward and deeply worrying to patients and their loved ones.

The Ryedale ward should not have closed without the agreement of the health practitioners and the local community. The Secretary of State has received the conclusions of a study of clinical activity on the Ryedale ward to assess whether identified clinical need could be managed effectively at home by the enhanced community support scheme. Those conclusions, which I should like to share with the Minister, are that, on balance, Ryedale should probably have been kept as a 10 to 16-unit, if not a 21-unit, ward for these purposes. There is general concern that the closure of Ryedale ward flouted the conclusions of that study, which I commend to the Secretary of State and to my hon. Friend the Minister.

What could the reasons for closure be? Given the predicted deficit in the primary care trust, my fear is that there is a financial motivation behind the recent trend of events and the subsequent lack of consultation. The budgets are being cut so radically that there might be insufficient funds to run all the services by the time that GP commissioning commences in 2012. I accept that there is a funding issue. The current funding allocation to North Yorkshire and York is the 13th lowest of the 152 PCT areas, and 12% below the strategic health authority average. There might be insufficient funds to run all the services at such time as the GP commissioning service commences.

If the trend of service cuts continues, our community hospitals could be reduced to a size where it is no longer viable to keep them open. In a rural area that is sparsely populated, with an increasingly elderly population, access to a local facility or service is key, and the closure or reduction of services could be disastrous. Scarborough hospital and local hospital trusts are deeply frustrated that there is now a local ward free at Malton hospital, currently unused, which could provide beds for patients entrusted to its care.

I welcome the Government's policy that decisions should be taken locally, but not before the relevant parties have been adequately consulted. The Minister of State, Department of Health, my hon. Friend the Member for Chelmsford (Mr Burns), wrote to me on 25 August to state that the Government have pledged that, in future,

"all service changes must be led by clinicians and patients, and are not to be driven from the top down."

In that letter, he underlined that

"the Secretary of State for Health has outlined new, strengthened criteria"

to be followed before fundamental service changes take place, and said that they must

"focus on improving patient outcomes...consider patient choice...have support from GP commissioners...and...be based on sound clinical evidence."

In this case, each and every one of those criteria has been flouted, but I understand that Ministers are powerless to act until the end of the pilot scheme. I urge the Secretary of State, the Minister of State and my hon. Friend to look at reviewing this at the earliest opportunity.

We must ensure that any such fundamental change has the support of all those affected by it. Given that the ward is now closed, it will be harder to reopen it. I cannot see how this is simply a pilot scheme, not a reconfiguration of services. I put it to the House that the decision-making process leading up to the removal of these services was defective and has bypassed those who are most affected by the decisions. Patients must be at the heart of our health care. Local clinicians, doctors, nurses, and patients' loved ones must support the decisions taken.

Moving forward, where do we want to be at the end of this process? Local people must have confidence in the decision-making process. In the case of the closure of the Ryedale ward, they clearly do not. It is vital that at the end of the so-called pilot scheme, there will be a full, transparent and open consultation. I ask the Minister to outline precisely what form that consultation will take. I urge her to ensure that all those most directly

[Miss Anne McIntosh]

affected will be consulted, including GPs, nurses, Ryedale LINk—local improvement network—Friends of Malton Hospital, and all patients and their loved ones. The primary care trust must desist from the practice of not consulting on any further changes to services. We need to have a proper consultation and better co-ordination of services between the primary care trust and the local hospital trusts.

I welcome the debate, and I hope that the Minister will reassure me that my long-term ambition for the health service, both locally in North Yorkshire and nationally, will be realised and that clinical need will be at the heart of the delivery of health care.

8.35 pm

The Parliamentary Under-Secretary of State for Health (Anne Milton): I congratulate my hon. Friend the Member for Thirsk and Malton (Miss McIntosh) on securing the debate. I can fully understand her desire to ensure that the best possible health services exist for her constituents, which came across strongly when she met the Minister of State on 12 October to discuss Malton community hospital.

My hon. Friend is right to say yet again—we say it often, but we cannot say it often enough—that the NHS is a national treasure. It is much loved and much relied upon by all of us, and from my own point of view it was my employer for 25 years. As she rightly stated, patients are at the heart of the service, and need to continue to be. I am sad to say that the story she told this evening is not dissimilar to my experiences in my own constituency, and it shows a big gap: what managers in charge of the finances and commissioners are trying to achieve is very distant from what local people feel.

I wish to say a little about where we are, because I think I can reassure my hon. Friend that our vision of the health service is well aligned with her own. This Government trust professionals in the NHS, and our White Paper, "Equity and excellence: Liberating the NHS", is about putting that trust into action and sweeping away the old system, which serves only to hamper and curtail the professional judgment of clinicians. We are replacing politically motivated process targets such as how many people are seen and the length of time they wait, which lump all patients together whatever their ailment, and introducing clinical standards generated by the professionals themselves, to hold them to account for the quality of care and outcomes that they provide. My hon. Friend also referred to the vital importance of professionals leading that process.

The future of local health services will not be dictated from the centre. They will not be directed by strategic health authorities or primary care trusts, they will be designed and commissioned from the bottom up by GPs and their colleagues across the health service, such as clinicians and managers, working in partnership in independent trusts to improve the quality of care. Patients will be armed with unprecedented levels of information and powers of scrutiny, and there will also be input from democratically elected local councillors. That bottom-up approach is important to prevent the present situation from happening again.

Miss McIntosh: What my hon. Friend is saying is music to my ears, but what concerns me is how we have reached a situation in which a major reconfiguration of services has happened without any regard at all to the bottom-up principle.

Anne Milton: I thank my hon. Friend, who is absolutely right. I will come to that.

As my hon. Friend stated, my right hon. Friend the Secretary of State has identified four crucial tests that all reconfigurations must now pass. First, they must have the support of GP commissioners. Secondly, there must be arrangements for public and patient engagement—no, I would rather say "involvement", because "engagement" is not a favourite word of mine. This is about involvement—people being listened to and their voices being heard, which clearly has not happened in the case that she has described. Thirdly, there must be greater clarity about the clinical evidence base underpinning a proposal. Fourthly, proposals must take into account the need to develop and support patient choice. That is a recipe not for maintaining the status quo but for locally agreed, transparent, evidence-based and clinically led change. Decisions about the services at a local hospital will be driven by local clinicians, with the consent and input of patients and local authorities, not imposed or decided behind closed doors.

On Malton community hospital, providing health services in rural areas can be challenging, and I understand that many patients in north Yorkshire have to travel for as long as 45 minutes to reach their nearest large hospital. Local health services can indeed find it difficult to meet national guidelines, particularly those involving clinical mass. I understand that it is against such a challenging backdrop that North Yorkshire and York PCT is currently considering its strategy for health services in Malton and Ryedale, ensuring that they are safe and sustainable for the future.

I am happy for my hon. Friend to come back to me on any points that I may raise. I understand that the PCT's emerging strategy for future hospital service provision is based on four themes: prompt local access to assessment and treatment for those needing urgent care; local access to a range of rehabilitation services, delivering intensive rehab and support effectively to re-able patients; prompt and local access to diagnostic tests and, where desirable and feasible, minor surgery; and specialist out-patient services to promote access and to support patient management by local GPs.

I am also aware of press speculation that Malton community hospital may be closed. The PCT has made it clear that it sees the hospital as an integral part of local health services and that it has no intention of not having a community hospital in Malton. I do not know whether that will reassure my hon. Friend. Judging by the expression on her face, I fear that it may not.

North Yorkshire and York PCT is currently piloting a scheme of enhanced community service in the Malton and Whitby area. The PCT believes that treating patients closer to home will provide better outcomes and encourage patients to retain their independence. I gather that that pronouncement has been greeted with the same cynicism with which it is greeted in many areas around the country.

Miss McIntosh: No one believes a word that the PCT says any more. There was a cohort of patients—21 at a time—who were treated intensively and given rehabilitation on a ward. They will now not be treated as intensively, and will be less safe when they return home after a fall or a major injury. It is that cohort of patients who will not benefit from hospital at home.

Anne Milton: I understand what my hon. Friend is saying. One of the problems is that we will have to let the pilot run. It is using existing hospital staff to provide hospital care in patients' homes. I gather that there will be no reduction in nursing staff, but delivering care in people's homes is a very different process from delivering it on a hospital ward. Because of financial constraints, it is not possible to run concurrent hospital and community services, so as part of the pilot, the wards have been temporarily closed. I understand that there will be deep cynicism about the prospect of their ever opening again. However, I am assured by the PCT that this is a pilot, and that a full assessment will be made at the end of it.

The project implementation team meets each week to assess the ongoing impact of the ward closure and bed reductions, and that team includes community provider staff, community hospital matrons and representatives from the community nursing team. I hope that that will continue, and go some way towards reassuring my hon. Friend. The pilot scheme will finish at the end of March 2011, and a full evaluation will take place in April 2011. The PCT has developed criteria for its evaluation—with, I hope, full consultation of local people.

I reiterate that no final decision has been made about the future of Ryedale ward. If the pilot leads to proposals for permanent service changes, the PCT will need to conduct a full public consultation, underpinned by the principles that I have set out. I hope that the PCT may learn a little from this debate, and from the letters that it has doubtless received, and ensure that local people feel that the consultation is real. I understand that the strategic health authority is working closely with the PCT to ensure that proper process is followed.

The need to improve clinical outcomes means that local health services will need to evolve, but I hope that, unlike previous changes, any future changes will have the confidence of local communities and clinicians. People must feel that their voice is properly heard; that is what the new arrangements are about. It will not always be easy, but if the process is clear and transparent, and, crucially, if it is led locally by clinicians, it will have the confidence of local people.

The commitment and tenacity that my hon. Friend shows in fighting for local health services is commendable. I note that she is due to discuss the matter further with the PCT on 19 November. I know that she will continue to work with the local NHS and ensure that her constituents' voices are properly heard and represented, as she always has done.

The list of enhanced services that my hon. Friend described is particularly significant in the light of the publication of the White Paper. The description of the way in which the ward was closed gives rise to concern and cynicism among local people. It is not useful when organisations act in such a way, because it simply fosters a belief that the PCT is trying to drive something through. We have to let the story run and let the pilot be properly evaluated against the criteria that my right hon. Friend the Secretary of State has outlined.

Miss McIntosh: I am most grateful for my hon. Friend's full reply from the Dispatch Box. On the particular, indeed unique, point that the PCT is both commissioner and provider of the services, will she give me an assurance that the functions will definitely be separated and that such a position will never arise again? It causes undue confusion for all concerned.

Anne Milton: My hon. Friend is right to draw attention to the issues surrounding the commissioning and provision of services. We have grappled with that for some time and we will fully address it. The consultation on the White Paper that we published in July is now finished, and we need to guard against exactly that sort of problem. If there is no Chinese wall or division between commissioning and provision, cynicism and deep suspicion of the commissioning decisions ensue.

I know that my hon. Friend will continue to make representations and watch the process closely. I assure her that our door will be open to hear any representations that she wants to make.

Question put and agreed to.

8.47 pm

House adjourned.

House of Commons

Thursday 18 November 2010

The House met at half-past Ten o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

BUSINESS, INNOVATION AND SKILLS

The Secretary of State was asked—

Science and Research

1. **Graham Evans** (Weaver Vale) (Con): What assessment he has made of the likely effects on the economy of maintaining his Department's science and research budget at present levels. [24721]

The Minister for Universities and Science (Mr David Willetts): Investment in science and research attracts inward investment, drives innovation and delivers highly skilled people to the economy, which is why we are protecting the cash budget for science and research at £4.6 billion and ring-fencing it.

Graham Evans: The Government are right to protect the science budget in cash terms, which is a decision that will reap dividends for our economy in the future. Does the Minister agree that the world-leading Daresbury science and innovation campus in my constituency should continue to receive the funding it needs so that it may play an important role in future economic growth?

Mr Willetts: My hon. Friend has campaigned effectively for Daresbury, and I can tell the House today that we have agreed that the public sector bodies can sign the joint venture agreement with their preferred private sector partner. That means that Daresbury now has excellent prospects as a national science and innovation campus, and I look forward to visiting in the new year.

Andrew Miller (Ellesmere Port and Neston) (Lab): If the science budget is to be protected in the way the Minister describes, it is important that the right people are taking the right decisions. Since 1993, the post of the director general responsible for the science budget has been occupied by a senior scientist. Lord Krebs and I, in our respective roles as Chairs of the two Science and Technology Select Committees, have written to the Secretary of State asking for a guarantee that that will be maintained. Will the Minister give that guarantee now?

Mr Willetts: The Secretary of State and I have seen this correspondence, and I can assure the hon. Gentleman, whose close interest in these matters I recognise, that a very satisfactory solution can be found.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): The Government speak of their support for science—support that has seen the science budget cut by 10% in real terms, stripped away the £400 million of annual science spend by the regional development agencies and exposed science capital expenditure to cuts of up to one third. Now the Minister is abolishing the top scientific post in his Department without even discussing it with the scientific community, which is a move that the former chief scientific adviser, Lord May, described as "stupid, ignorant and politically foolish".

So the science community has neither proper funding nor real influence. Does the Minister agree that the Government's support for science is only skin deep?

Mr Willetts: We believe that it is possible to deliver the efficiency savings that mean that the science budget will be protected in real terms, and we are also, of course, committed to making efficiency savings within the Department. We make no apologies, therefore, for reducing the number of civil service posts in the Department. That is the right way to save money. However, as I said in answer to the hon. Member for Ellesmere Port and Neston (Andrew Miller), I am confident that the specific concerns raised by the science community about that post can be addressed.

Post Office Network

2. **Bob Blackman** (Harrow East) (Con): What his Department's policy is on the future of the post office network. [24722]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): The Government set out their policy for the future of the post office network in a statement entitled "Securing the Post Office Network in the Digital Age" published on 9 November. Copies of the statement are available in the Libraries of the House and are accessible on the Department for Business, Innovation and Skills website.

Bob Blackman: I am sure that the whole House will welcome the arrangements between the Royal Bank of Scotland and the Post Office to enhance the capability of post offices, the vast majority of which, of course, are run by individuals as part of a wider business. What further plans does my hon. Friend have to enhance the post office network, rather than close it, as the Labour party did when in government?

Mr Davey: My hon. Friend is right to welcome the deal between RBS and the post office network. It means that nearly 80% of current accounts from the bank can now be accessed through the network, and we hope that that will be increased in due course. That is just one of the many policies set out in our policy framework so that we can ensure that the post office network does not suffer the major closure programmes we saw under the Labour party. I am sure that he will welcome the statement we made.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Does the Minister understand people's concern that he has not chosen to go ahead with a separate Post Office bank? Will he say how he intends to ensure that small sub-post offices in villages will be able to offer a wider range of services to our constituents?

Mr Davey: We looked in some detail at the case for a state-backed Post Office bank. The cost of a banking licence would have been in the realms of the amount of money we are putting into the post office network to modernise it and to prevent a closure programme. I am sure that the hon. Lady welcomes the £1.34 billion of investment in the post office network. That, along with the policies we set out in our policy statement to get more Government revenue through the post office network, and to tie up arrangements with banks such as RBS and the post office network, is the surest way to ensure that the post offices in the villages she talked about have a long-term viable future.

Damian Hinds (East Hampshire) (Con): The Government are keen to promote closer working between post offices and credit unions. Will the Minister seek ways to facilitate robust back-office arrangements between the two, which would be a good and cost-effective way of improving financial inclusion?

Mr Davey: I think the hon. Gentleman is quite right to point to the important role that credit unions can play and the potential for work between them and the post office network. As we said in our statement, there are already initiatives and pilots to see whether there is room for expanding the role of partnership work between the post office network and credit unions. I look forward to seeing the results of those pilots. The points made about a longer-term relationship are well made, and we are certainly looking at that.

Hywel Williams (Arfon) (PC): There is real disappointment in small rural communities such as the ones that I serve at the Government's announcement on the Post Office bank. What reassurance can the Minister give me that services through small local post offices will be maintained, or preferably improved?

Mr Davey: I am not sure whether the hon. Gentleman has read our Post Office policy statement. I would have thought that he welcomed the fact that the measures we are taking are encouraging banks such as RBS to make their accounts available through the post office network in the towns and villages that he represents. I think that there is a much more positive future than under the previous Government and that is implicit in his question.

Local Enterprise Partnerships

3. **Charlie Elphicke** (Dover) (Con): What recent discussions he has had on the future of local enterprise partnerships; and if he will make a statement. [24723]

12. **Christopher Pincher** (Tamworth) (Con): What recent discussions he has had on the future of local enterprise partnerships; and if he will make a statement. [24732]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): On 28 October the Government announced that 24 of the proposed local enterprise partnerships were cleared to progress, and they are currently preparing their governance arrangements. We continue to engage with other proposed partnerships, and we will report back to the House in due course.

Charlie Elphicke: The local enterprise partnership for Kent covers the varying concerns of the Thames Gateway as well as disgracefully neglected coastal towns such as Dover. Will the Minister take on board the idea of more localisation in the governance of LEPs, to ensure that they focus on particular concerns?

Mr Prisk: My hon. Friend is a great champion of local businesses, and he knows, and is right to say, that the great benefit of such partnerships is that they are local and can deal with local economic priorities, rather than with the national priorities of Ministers. That is the benefit of such partnerships; that is why we are progressing with them.

Christopher Pincher: I am grateful to my hon. Friend for his answer. Although I am pleased that Advantage West Midlands is being replaced by a more business-friendly, accountable and flexible LEP, can he tell us what steps he will take to ensure that the hiatus between the wind-down of the regional development agency and the ramp-up of the LEP does not adversely affect businesses in Tamworth?

Mr Prisk: I entirely agree with my hon. Friend about the need to avoid a hiatus. That is why we are already actively engaged in enabling LEPs to begin their work long before the RDAs finally close in 2012.

Mr Pat McFadden (Wolverhampton South East) (Lab): As the Minister said, 24 bids were approved, but bids for many areas of the country, including for the black country, were not approved. Local enterprise partnerships will not have the same resources as the RDAs, which are currently spending about £1.5 billion a year in England. How are local enterprise partnerships supposed to help to rebalance the economy if they do not have the resources? Surely setting up these organisations and asking business to lead them is letting those business people down if the Government do not play their part and give them the resources they need to do the job.

Mr Prisk: We are in negotiations with the black country, and I hope that there will be a positive outcome, but the point of the partnerships is to remove the local barriers to growth and ensure that planning in local areas is addressed, that red tape is tackled and that local transport projects are dealt with jointly by business and civic leaders. That is what LEPs can do. It is not all about subsidies; it is about real action on the ground.

Mr John Denham (Southampton, Itchen) (Lab): But the director general of the CBI described local economic partnerships as

"a bit of a shambles".

Indeed, the Minister himself wrote to the Business Secretary, who is sitting next to him, to say that many LEPs were

"undermining our agenda for growth,"

and now the Business Secretary has told people in Birmingham that the abolition of RDAs is

"a little Maoist and chaotic".

Can the Minister now tell the House: is he responsible for the Maoism or just for the chaos?

Mr Prisk: This is a great leap forward.

Mr Denham: Yesterday, Mr Speaker, the Prime Minister told you and the House that whatever the Business Secretary had said, it was not what he believed. I know that Ministers have just come back from China, but I thought that public humiliation for incorrect thought went out with the cultural revolution.

Nissan told the Select Committee that the now abolished grant for business investment was vital to bring new investment and highly skilled jobs to the north-east. Was Nissan not right to say:

"The UK has a clear choice of whether it chooses to fight for new business, new jobs, and rebalance the economy or allow the opportunity of this business to go elsewhere"?

Does that not show that the Government have no plan for growth?

Mr Prisk: No, it does not. We are investing £1.4 billion in the regional growth fund, £10 billion in roads, and £14 billion in the railways, and we are ensuring that Nissan and others have the support that they need. That is why I shall be meeting Nissan on Monday.

Regional Growth Fund (Yorkshire)

4. **Hugh Bayley** (York Central) (Lab): How much money the regional growth fund will distribute to enterprises in Yorkshire in (a) 2010-11 and (b) 2011-12. [24724]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): The regional growth fund is a challenge fund for England and is not ring-fenced or pre-allocated, including in terms of location. The fund will run for three years from 2011 to 2014, and the first round of bidding is now open for receipt of project proposals. It will close on 21 January 2011.

Hugh Bayley: As investment in jobs, Yorkshire Forward offered the National Railway museum £5 million towards the cost of redisplaying the exhibition in its great hall, but was forced to withdraw the money because of the Government's withdrawal of support for regional development agencies. Does the Minister agree with his colleague, the Under-Secretary of State for Business Innovation and Skills, the hon. Member for Wantage (Mr Vaizey), who suggested at a meeting with me and his hon. Friend the Member for York Outer (Julian Sturdy) that the regional growth fund could be used to fund the National Railway museum to pick up where Yorkshire Forward was forced to leave off? Will he consider that proposal, and get back to me to talk about how that could be taken forward?

Mr Prisk: I have been to the National Railway museum, which is an excellent part of Yorkshire's tourism and industrial heritage. There are clear rules about the regional growth fund, and they could well include the opportunity for a bid from the National Railway museum. If the hon. Gentleman or his local partners wish to proceed with that, they should look at the White Paper, and if there are any problems, I am happy to help.

Green Investment Bank

5. **Luciana Berger** (Liverpool, Wavertree) (Lab/Co-op): Whether his Department intends to sell assets in its ownership to provide finance for the proposed green investment bank. [24725]

The Secretary of State for Business, Innovation and Skills (Vince Cable): The Chancellor announced in the spending review that the green investment bank will be funded with £1 billion from departmental budgets, and significant additional proceeds from asset sales. I will provide further information on which assets will be used to fund the institution in due course.

Luciana Berger: What funding will the Government make available to support renewable projects in the interim period before the green investment bank is established, which current estimates suggest is four years away?

Vince Cable: No, it is not four years away. The intention is that investments will be made in 2012, and that asset sales will be used for that purpose. We are in the process of establishing the bank, and the hon. Lady knows that a substantial number of renewable projects are being supported under the spending review.

Immigration Cap (Intra-company Transfers)

6. **Ian Swales** (Redcar) (LD): What discussions he has had with the Secretary of State for the Home Department on the future of intra-company transfers following the introduction of the proposed immigration cap. [24726]

The Secretary of State for Business, Innovation and Skills (Vince Cable): Ministers, officials and I are in regular contact with the Home Secretary and other Ministers and officials in the Home Office to discuss the implementation of the commitment to limit non-EU economic migration. That includes discussions on intra-company transfers.

Ian Swales: That answer will be of interest to companies from Canada, the USA, Korea, India, Israel and Saudi Arabia that are already in the Tees valley. Will the Secretary of State ensure that the Thai company SSI is able to bring in the executives that it needs to make a success of its forthcoming purchase of the Redcar steelworks?

Vince Cable: The answer is yes. I pay tribute to the role that my hon. Friend has played in ensuring that SSI was able to come to the UK and transform the prospects of the Redcar plant. I can give him that assurance. Indeed, The Prime Minister said at Prime Minister's questions that in terms of the overall cap on migration,

"things such as inter-company transfers should not be included in what we are looking at."—[*Official Report*, 3 November 2010; Vol. 517, c. 920.]

Ian Lucas: But companies such as Nissan, Toyota and Sharp Electronics in my constituency are investing in the UK and bringing teams to train British workers in new green technologies. The prevention of inter-company transfers is stopping them investing in British business, so why is the Business Secretary supporting the Tory immigration cap that he opposed at the general election?

Vince Cable: The hon. Gentleman did not listen to my previous answer. The Prime Minister was quite explicit on this, and I will repeat what he said:

"things such as inter-company transfers should not be included"

in our proposal for the immigration cap. I have spoken to Nissan and other companies, and the Government are well aware of the needs of business. We are open to business and we welcome foreign investors. The proposal on the immigration cap will be pursued, but not in ways that damage those companies.

SMEs

7. **David Rutley** (Macclesfield) (Con): What plans he has to provide support for small and medium-sized enterprises in the next 12 months. [24727]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): Among other actions, the Government are cutting corporation tax for small businesses, tackling red tape, helping home-based businesses and ensuring that small firms secure a greater proportion of Government contracts.

David Rutley: Is my hon. Friend aware that the recent Barclays business regional impact index shows that the majority of small and medium-sized enterprises in the north-west are looking to expand in the year ahead? Will he tell the House what steps he is taking to help those vitally important SMEs in regions such as the north-west?

Mr Prisk: As my hon. Friend will know from his own business experience, one of the best forms of help is business-to-business mentoring. That is why on Monday, to launch global entrepreneurship week, we announced a new national network of more than 40,000 experienced business mentors. That will make a real difference in Macclesfield and across the country.

Local Enterprise Partnerships (South-west)

8. **Mr Ben Bradshaw** (Exeter) (Lab): What proportion of the population of the south-west is not covered by local enterprise partnerships. [24728]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): To date, in the south-west two partnerships have been asked to progress—namely, the West of England partnership and the Cornwall and Isles of Scilly partnership. They cover approximately 30% of the population of the south-west. The Government are engaged in further productive discussions with other proposed partnerships, which we hope will be concluded successfully.

Mr Bradshaw: That is a pitiful record. It is no wonder that the Secretary of State described this as a Maoist and chaotic process. May I urge the Minister and the Secretary of State to deploy some Stalinism, and to get those council leaders in a room and tell them to get their act together and stop excluding Exeter, the main economic driver in the region, from the process? If they will not do that urgently, will they just let the business community get on with it themselves?

Mr Prisk: I know that the right hon. Gentleman used to be part of Stalin's last Government, but the most important thing is that he and I, and others, encourage those businesses and local partners that are not engaging in the process. We are making progress, and I hope that we can do that. The prospects are good, and I hope that he will engage with the process in a positive way.

Duncan Hames (Chippenham) (LD): It seems that the bid for a local enterprise partnership including Wiltshire involved such a great leap forward that it has not even landed yet. Will the Minister please tell the House which of his requirements for these bids it has yet to meet?

Mr Prisk: Without wishing to stretch the metaphor too far, this involves quite a long march for some. The key is business engagement: that is the crucial part. That is what we are looking for, and I am sure that that will be achieved shortly.

Mr Gordon Marsden (Blackpool South) (Lab): My constituency, like that of my right hon. Friend the Member for Exeter (Mr Bradshaw), is currently sitting in one of the Maoist black holes for local enterprise partnerships. The Department's new skills strategy says that local enterprise partnerships will lead the transformation of their local economies, yet the Minister is so embarrassed by them that he failed to mention them once when he wound up the debate on growth last Thursday. If he really wants to help local enterprise partnerships, why will he not allow them to retain the assets of the regional development authorities?

Mr Prisk: As the hon. Gentleman knows all too well, the White Paper sets out a clear, sensible path for the transfer of assets, and liabilities, from the RDAs. Such transfers might in part be to the local enterprise partnerships, where they exist, and in other parts they might not. I suggest that the hon. Gentleman needs to look more closely at the White Paper; the process is crystal clear.

Small Businesses (Lending)

9. **Lilian Greenwood** (Nottingham South) (Lab): What steps he is taking to increase lending to small businesses. [24729]

13. **Natascha Engel** (North East Derbyshire) (Lab): What steps he is taking to increase lending to small businesses. [24733]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): The latest official information shows that more than two thirds of loan applications from small firms are approved. However, the Government are determined to press the banks to ensure that

creditworthy businesses have the finance that they need. Among the actions that we are taking are enforcing lending codes, improving customer information and extending the enterprise finance guarantee.

Lilian Greenwood: I thank the Minister for his response. Last week I met the Nottinghamshire and Derbyshire Federation of Small Businesses, which was extremely disappointed that the Government had ditched our plans for a Post Office bank. That would not only have provided small businesses with an alternative source of lending, but helped to sustain the post office network that so many of them rely on. I heard what the Under-Secretary of State, the hon. Member for Kingston and Surbiton (Mr Davey), said earlier in response to my hon. Friend the Member for Kilmarnock and Loudoun (Cathy Jamieson), but will Ministers think again?

Mr Prisk: With due respect, the hon. Lady forgets that the banks and the community development finance institutions are a crucial part of this discussion. If the FSB in her area wishes to make representations, I would encourage it, with her support, to do so.

Natascha Engel: In spite of what the Minister says, what is he doing to allay the concerns of eBay, which says that banks are still not lending to businesses? His Government did have lending targets for financing small businesses—what happened to them?

Mr Prisk: We still have the lending targets. The key thing is enforcement, which, despite the chuntering from those on the Opposition Front Bench, the last Government failed to do. What is important is that we now have a new lending code. The hon. Lady is absolutely right to say that businesses—whether they be eBay-based or real rather than virtual or online businesses—want a lending code and a proper appeal process. We have those, and I am determined to make sure that we enforce them.

Neil Parish (Tiverton and Honiton) (Con): A firm in my constituency cannot get money from the banks, which, if they do lend, do so at a 25% interest rate. It is a very successful company, but the banks, in order to gain liquidity, are stopping lending. We really must put more pressure on them.

Mr Prisk: I agree with my hon. Friend. Let me make it very clear again that when right hon. and hon. Members find unreasonable behaviour from the banks, they should ensure that it is raised with them and they should copy me in. When we find that evidence, we will challenge the banks vigorously.

George Freeman (Mid Norfolk) (Con): As I know the Minister is aware, the highest of the high-technology growth businesses tend to rely for their early-stage finance not on banks but on early-stage investors, angels and family. Will he agree to make representations to the Treasury to look at anything we can do to incentivise such sources of finance?

Mr Prisk: I and my Treasury colleagues are already looking at how to improve business angel finance, not least at how the enterprise investment scheme works. We are also looking to extend a further £200 million in equity funds to the capital enterprise fund.

Mr Speaker: I call Dave Watts. Not here.

Apprenticeships

11. **Pamela Nash** (Airdrie and Shotts) (Lab): How many apprenticeship starts there were in the academic year 2009-10; and if he will make a statement. [24731]

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): Final data for apprenticeship starts in the 2009-10 year are not yet available. Provisional data published on Tuesday showed that there were 273,900 apprenticeship starts in that academic year.

Pamela Nash: I thank the Minister for that answer. The leader of the Scottish Labour party has assured every young person in Scotland that if he becomes First Minister in May, they will receive an apprenticeship if they so wish. Can the Minister also provide that reassurance to the rest of the young people in this country?

Mr Hayes: The hon. Lady is the youngest Member in the House. It was Swift who said:

"Invention is the talent of youth, as judgment is of age",

and it is my judgment that much of the Opposition's position on apprenticeships is indeed invention. We will put £250 million more into apprenticeships to create more than ever before.

Robert Halfon (Harlow) (Con): Does my hon. Friend agree that it is not only the start-ups but completions that are important to apprenticeships? Does he further agree that in order to achieve completion, we need to increase the prestige of apprenticeships? Will he thus support the establishment of a Royal Society of Apprentices?

Mr Hayes: My hon. Friend has already established a reputation for championing vocational learning. We will commit to improving completions. I am prepared to say that the last Government made some progress there. I have already had discussions with a distinguished personage about exactly the idea that my hon. Friend proposes.

Miss Anne Begg (Aberdeen South) (Lab): The Government are setting great store by providing more apprenticeships to replace the work that used to be done under the future jobs fund. What discussions is the Minister having with employers to make sure that sufficient apprenticeship places are available so that these youngsters can take up the offers that the Government say they want them to do?

Mr Hayes: As has already been said, we launched our skills strategy just this week, and I have a copy here for you, Mr Speaker. It has been welcomed by small businesses, the CBI, the Institute of Directors and the Trades Union Congress. The only people who have not welcomed it are Opposition Members, which says more about them than us.

University Places

14. **Mr Rob Wilson** (Reading East) (Con): What recent steps his Department has taken to increase the number of student places at universities. [24734]

The Minister for Universities and Science (Mr David Willetts): Despite the need to address the deficit, we have enabled universities to recruit an additional 10,000 students in 2010-11. Had we not done so, the number of university places in England would have fallen this year. Our proposals for a fairer and more progressive system of university funding mean that we can maintain student numbers in the future.

Mr Wilson: Lord Browne's review made it clear that the artificial cap on the number of students attending individual universities should be removed to improve market efficiency. Will my right hon. Friend confirm that he will implement that important recommendation in full?

Mr Willetts: My hon. Friend is a powerful advocate of the cause of liberalising universities. My right hon. Friend the Secretary of State and I are determined to ensure that they have a freer system, and we will set out proposals to that effect in our forthcoming White Paper.

Mark Lazarowicz (Edinburgh North and Leith) (Lab/Co-op): Is the Minister aware that the Government have just asked the British Council not to recruit before 2011-12 for its English language assistant placement scheme? The scheme is vital to many language students, and cancelling it next year would cause a great deal of disruption. Will the Minister reconsider? If he does not, he will remove a valuable scheme that is important to many language students in this country.

Mr Willetts: We are discussing the issue with language schools, and I met some of their representatives at the Department recently.

Mr Charles Kennedy (Ross, Skye and Lochaber) (LD): Will the Minister acknowledge that even before Lord Browne's review, many universities—the university of Glasgow being a case in point—were finding that because of the purely artificial 50% figure that had been arrived at years ago, they were having to up their criteria for entry for, say, next autumn? Students who thought that they would be given a place are now finding that they are unlikely to be given one. How will the Government's interpretation of Lord Browne's recommendations deal with that fundamental problem?

Mr Willetts: While university places remain publicly funded, there has to be some sort of control. However, because of the proposals that we implemented in England this year, there were more places for British students in England. I hope that I am not being too chauvinistic when I say that, in the absence of similar policies in Scotland and Wales, the number of student places fell in both countries.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): As the Minister knows full well, there is mounting concern about the damage that will be done by the Government's unprecedented 80% cut in funds for our universities. The Institute For Fiscal Studies, which Ministers used as a crutch, is busy revising its assessment of the Government's plans; there is increasing evidence that poorer students will be deterred from going to university; and the Higher Education Policy Institute says that fees of £9,000 a year will be the norm rather than, as the Minister has claimed, the exception.

Is it not now clear that, rather than arranging a quick vote to end the Deputy Prime Minister's embarrassment on the issue, the Government should publish their plans in full—including their plans for student numbers—so that they can be properly scrutinised in the House and the full facts can be considered by all Members before the House votes on increasing fees?

Mr Willetts: We are, of course committed to publishing a White Paper on our proposals, but I can tell the hon. Gentleman that they will ensure that power in our higher education system resides with the student, which is where it should reside. Universities will have to respond to the choices and preferences of students, and we believe that about a quarter of graduates will contribute less under our proposals than they do under the system left to us by the last Government.

Elizabeth Truss (South West Norfolk) (Con): Methwold high school in my constituency is developing a pioneering plan to offer university of London degrees. It will be a first, particularly in a rural community. Does my hon. Friend agree that that is a great way of increasing participation and aspiration, and would he be willing to meet me along with a delegation from Methwold high school?

Mr Willetts: I think I read an interesting article about that important initiative in *Times Higher Education* the other day. I congratulate my hon. Friend on drawing the House's attention to it.

We are committed to broadening participation in higher education. That is what our £150 million scholarship scheme is all about, and initiatives such as the one described by my hon. Friend are very valuable.

European Regional Development Fund

15. **Mr Adrian Bailey** (West Bromwich West) (Lab/Co-op): What assessment he has made of the effects of the abolition of regional development agencies on access to unspent funding from the European regional development fund. [24735]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): My Department is working with the Department for Communities and Local Government to develop new delivery structures for the European regional development fund to replace the RDAs. We aim to ensure that the programmes continue to be implemented with minimal disruption.

Mr Bailey: I thank the Minister for his reply. In the west midlands, £113 million of ERDF money is still as yet unallocated. About 40% has historically been allocated to projects through the regional development agency, but the RDA is now to go, and there is no sign on the horizon of an alternative delivery mechanism. Can the

Minister assure us that mechanisms will be found to spend that money before 2013, or will it go to the Treasury?

Mr Vaizey: That money will be spent. Local enterprise partnerships and local authorities can apply for it, and we intend to announce a new delivery mechanism next spring.

High Speed 1

16. **Gregg McClymont** (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): Whether the proceeds from the sale of High Speed 1 will be added to the start-up capital for the green investment bank. [24736]

The Secretary of State for Business, Innovation and Skills (Vince Cable): I am unable to provide commercially sensitive information on individual asset sales, but I can say that I do not expect the proceeds of the sale of HS 1 to be used for the green investment bank. Instead, they will make a contribution to reducing the stock of national debt.

Gregg McClymont: The Secretary of State has referred to his own policies as Maoist, but may I suggest that he is more like Chiang Kai-shek? He is losing the war, he has retreated to his own little island, and he is increasingly cut adrift from the mainland of this Tory Government.

Vince Cable: That blizzard of rhetoric rather disguises the fact that in setting up the green investment bank we are making a very real commitment to investment in a green economy, and a substantial Government financial commitment has been made to it.

Offender Learning and Training

17. **Tracey Crouch** (Chatham and Aylesford) (Con): What plans he has for the future provision of offender learning and training. [24737]

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): This is an issue that I think unites the whole House. Earlier this year I commissioned a far-reaching review of offender learning, because we know that getting people into jobs by improving their skills so that they can play their part in society reduces reoffending and makes communities safer.

Tracey Crouch: I thank the Minister for that reply. Royal British Legion Industries, based in Aylesford, runs a project aimed at providing tailored support, employment and training for ex-service personnel with a criminal record. Will the Minister meet with representatives from RBLI to discuss what opportunities are available to them to expand this project, which is often run by ex-offenders, and thereby to assist the Government in improving provision of offender and ex-offender learning and training?

Mr Hayes: I am pleased to be able to tell my hon. Friend, and the House, that I have already had discussions with RBLI; indeed, I am planning a further meeting to ensure that the excellent work being done is in line with our plans to take action on this issue, which, as I have said, unites the whole House.

Private Sector Job Creation (Halifax)

18. **Mrs Linda Riordan** (Halifax) (Lab/Co-op): What assessment he has made of the prospects for private sector job creation in Halifax; and if he will make a statement. [24738]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): In the recent spending review, the Government set out their framework for fostering private sector growth both by ensuring macro-economic stability and efficient and dynamic markets and by prioritising Government activity to support growth. The White Paper on local growth also sets out the actions that the Government are taking to foster private sector growth, and Halifax is covered by the Leeds city region local enterprise partnership, which is currently being taken forward.

Mrs Riordan: I thank the Minister for his reply. A very high proportion of my Halifax constituents are employed in the public sector, and job losses in that sector would devastate the local economy. I fight for every job in Halifax. Will the Minister outline what his Department is doing to increase investment and encourage job creation in northern towns like Halifax?

Mr Vaizey: I hear what the hon. Lady has to say, and I have no doubt that she fights hard for her constituents. I hope that she will therefore support not only the Leeds city region LEP but the regional growth fund, which exists to promote private sector growth, as well as a whole host of other measures such as the reduction in corporation tax, the national insurance holiday and the sustained investment in transport infrastructure, all of which will also help to create jobs.

Post Office Network

19. **Richard Graham** (Gloucester) (Con): What his Department's policy is on the future of the post office network. [24739]

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): I refer my hon. Friend to the answer I gave to the hon. Member for Harrow East (Bob Blackman) earlier.

Richard Graham: I am grateful to the Minister. Earlier this summer, the sub-postmaster at Quedgeley in my constituency of Gloucester decided to close his franchise because he could not see enough ways of making the business profitable. Can the Minister confirm that his plans for increased access to Government services, banking services and credit unions will help reverse the disastrous trend under the last Government of spiralling decline and closure, and instead enable sub-postmasters to make their businesses profitable again?

Mr Davey: That is exactly right, and I pay tribute to my hon. Friend both for his work as secretary to the all-party group on post offices and for his work in finding a new sub-postmaster for Quedgeley. Our policies include not only our £1.34 billion of investment in the post office network, but our efforts to ensure that, through the pilots that we have announced, Government services provided through the post office network will increase, rather than decline.

Local Enterprise Partnerships

20. **Graham Jones** (Hyndburn) (Lab): What estimate he has made of the number of people and businesses in (a) the north-east, (b) the south-west and (c) Lancashire which will not be covered by local enterprise partnerships following the implementation of his proposals for such partnerships. [24740]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): Overall, the 24 partnerships agreed to date cover the majority of businesses and the economy of England. In Lancashire, local disagreements have prevented a credible proposal from being made. As I mentioned in my response to an earlier question, 30% of the population is covered at the moment in the south-west, but I can now confirm to the House that we expect full coverage in the north-east.

Graham Jones: I thank the Minister for that reply. Does he accept that Lancashire county council's LEP proposal is not a pan-Lancashire proposal, but a Swiss cheese proposal, designed to annex east Lancashire? The war of words, to which he has alluded, between the east and the west is extremely divisive. Will he come to a decision that reflects local interests, rather than those of what I see as the gang of six? The gang of four Maoists seemed to resolve such things rather more quickly, so will he come to a quick resolution regarding the east and west?

Mr Prisk: I am not sure that either the Swiss cheese metaphor or the Maoist metaphor worked well, but let me deal with the reality of the situation. Three conflicting proposals were made in Lancashire. At the moment, positive discussions are taking place about how those can be rationalised, and officials will continue to work with both business and civic leaders to find a sensible arrangement. I hope that the hon. Gentleman will play a positive role in that, so that we can move on.

Immigration Cap

21. **Keith Vaz** (Leicester East) (Lab): What recent discussions he has had with the Secretary of State for the Home Department on the effect of implementation of the immigration cap on recruitment and retention in small businesses. [24741]

The Secretary of State for Business, Innovation and Skills (Vince Cable): Ministers and officials in my Department, and I, are in regular contact with the Home Secretary and other Ministers and officials in the Home Office to discuss the implementation of the commitment to limit non-EU economic migration. Those discussions have, of course, considered all types of business across the economy.

Keith Vaz: I welcome the fact that 12 hours after the publication of the Home Affairs Committee's report on immigration the Government accepted our recommendation on the immigration cap with regard to intra-company transfers. However, there is a problem, in that the Home Secretary qualified this by reference to a minimum salary of £40,000. Will the Business Secretary continue with the representations that I know he is making to the Home Office that these salary positions make it extremely difficult, especially for small businesses, to be flexible in their recruitment of people from overseas?

Vince Cable: I thank the right hon. Gentleman for his contribution to that valuable report, whose conclusions the Home Secretary has endorsed. Our overall approach to this is reflected in the answer that the Prime Minister gave in Parliament yesterday. He said that he wanted our policy to be

"business-friendly and helpful to the economy."—[*Official Report*, 17 November 2010; Vol. 518, c. 885.]

Skilled, entrepreneurial and talented people will be welcome under the immigration policy.

Mr Peter Bone (Wellingborough) (Con): I am sure that Government Members entirely welcome the Government's cap on immigration. Obviously we will be having a debate on immigration later today, which has been put on by the Backbench Business Committee. Will the Secretary of State confirm that the immigration cap does not apply to EU citizens, so they represent a big pool for small businesses to attract?

Vince Cable: The hon. Gentleman is right on a matter of fact: this is a cap on non-EU migration, not on migration from the EU.

Regional Growth Fund

23. **Julian Sturdy** (York Outer) (Con): What plans he has for the future of the regional growth fund. [24745]

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): As I said earlier, the regional growth fund is a challenge fund for the whole of England and it should not have any ring-fencing or pre-allocations. We expect a number of very positive applications, and the first opening round of those will conclude on 21 January 2011.

Julian Sturdy: Businesses in my constituency often impress on me how important reliable modern infrastructure is to their success. Can the Minister confirm that bids to the regional growth fund for capital funding will be considered if they meet the objectives set out in the growth White Paper?

Mr Prisk: I can confirm that all bids that meet the criteria of the fund, including bids for projects such as those that my hon. Friend mentioned, will, of course, be considered on their merits.

Stephen Timms (East Ham) (Lab): The Prime Minister two weeks ago supported the idea of a new silicon valley in east London. Is that an initiative that the regional growth fund could be used to support? What else will the Minister's Department do to support the Prime Minister's proposal?

Mr Prisk: The point of the proposal, and the regional growth fund, is to ensure that in areas where there is a particular reliance on the public sector, or on any other single sector, there will be a diversity of job opportunities. I am sure that the opportunity for a new silicon valley will be an excellent project, and one that will be considered carefully by the independent panel advising Ministers.

Matthew Hancock (West Suffolk) (Con): In the past, regional development funds have ignored areas of deprivation in some parts of the country—for instance, those in West Suffolk—because they are surrounded by areas of comparative wealth. Will the Minister confirm that any area of the country can apply for funding under the new regional growth fund, no matter how small the area of comparative deprivation might be?

Mr Prisk: All bids will be considered fairly and on merit. That means that when there is an opportunity to transform the economy so that it is less reliant on the public sector, irrespective of location, those applications will be considered with due care and consideration.

Joan Walley (Stoke-on-Trent North) (Lab): Now that we have a local enterprise partnership in Stoke-on-Trent and Staffordshire, will the Minister assure me that we will be able to bid for regional growth funding for applications in respect of ceramics in Stoke-on-Trent and in respect of the new environmental technologies? Will he keep a close watch on ensuring that our deprived area gets that Government funding?

Mr Prisk: That is an excellent question, and I shall keep a close eye on the proposals—and, indeed, on the future of the economy in Stoke-on-Trent.

Several hon. Members *rose—*

Mr Speaker: Order. Colleagues are to be congratulated on their succinctness.

Topical Questions

T1. [24746] **Caroline Lucas** (Brighton, Pavilion) (Green): If he will make a statement on his departmental responsibilities.

The Secretary of State for Business, Innovation and Skills (Vince Cable): My Department has an important role in delivering growth and the coalition's commitment to building a new and more responsible economic model while rebalancing the economy and bringing enterprise, manufacturing, training, learning and research closer together.

Caroline Lucas: As the Lib-Dem Treasury spokesman in the last Parliament, the Secretary of State strongly criticised the Labour Government's handling of the Lloyds TSB merger with HBOS, saying that the Lloyds shareholders had been sold a lemon. What does he say now to the 800,000 small Lloyds shareholders who have lost up to seven eighths of their investment, some of whom I have met in my constituency? What support will he give those who are now trying to win compensation?

Vince Cable: First, I congratulate the hon. Lady, as I believe that last night she received the newcomer of the year award from *The Spectator*. On her specific question, she will be aware that the Chancellor of the Exchequer and I established the banking commission specifically to consider the structure of banking and how competition can be improved. It will undoubtedly take into account the particular position of that bank.

T3. [24748] **Michael Ellis** (Northampton North) (Con): I recently visited the Abington pharmacy in my constituency, where I switched on a robotic dispenser—*[Laughter.]* It delivers pharmaceutical products, and I switched it on rather than turned it on. Many successful small businesses such as that pharmacy struggle to get the banks to give them loans, and small and medium-sized businesses are suffering as a consequence. What can my hon. Friend do to encourage the banks to lend to small businesses?

The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk): No. 1: ensure that we enforce the lending commitments. No. 2: extend the enterprise finance guarantee—and the third action that I would encourage would probably be to leave those buttons alone!

T2. [24747] **Mrs Linda Riordan** (Halifax) (Lab/Co-op): Thousands of medical students will be crippled by the increased tuition fees, and the submission by the British Medical Association to Lord Browne's review appears to have been ignored. Does the Minister agree that those increases will deter young people from undertaking medical training?

The Minister for Universities and Science (Mr David Willetts): We do not believe that our proposals will have any such effect. Obviously, I am in close contact with the Secretary of State for Health, and we are confident that we can continue to support medical training in a way that will provide the doctors that we need.

T4. [24750] **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): Does the Minister agree that the true test of any education or training system is that the person concerned comes out better qualified and better equipped to be an active and employable member of society than they were before they went into it? Does he agree that the 50% target for universities did not work and was not right, and that we now need to value vocational training and apprenticeship schemes better?

Mr Willetts: My hon. Friend is right. That is why, as well as maintaining student numbers this year with 10,000 extra places, my right hon. Friend the Secretary of State and my hon. Friend the Minister for Further Education, Skills and Lifelong Learning have committed us to 75,000 extra apprenticeship places.

T5. [24751] **Bridget Phillipson** (Houghton and Sunderland South) (Lab): Nissan is an important local employer in Sunderland and it has rightly said that "relatively modest" Government investment can rebalance the economy. That is crucial in regions such as the north-east. Does the Secretary of State agree with Nissan that if the Government do not fight for new business, it will simply go elsewhere?

Vince Cable: One of the first decisions that this incoming Government made was to confirm support for the Nissan Leaf project. We continue to be in close contact with that company, which makes a valuable contribution to the economy in this country and the north-east, and we will maintain close relations with it.

T6. [24752] **Matthew Hancock** (West Suffolk) (Con): Students who complete degrees are rightly lauded as graduates at elaborate ceremonies that are all too often unlike those for people who learn valuable crafts. Does the Minister for Further Education, Skills and Lifelong Learning agree that we must do more to recognise the value and status of those who complete apprenticeships?

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): For too long we have conned ourselves that the only form of prowess that matters is academic accomplishment. We need, in the spirit of Ruskin and Morris, to recognise that practical skills matter too. I recommend that my hon. Friend read my speech to the Royal Society for the encouragement of Arts, Manufactures and Commerce on that subject. Signed copies are available, but I am told it is the unsigned copies that will be clamoured for in years to come.

Mark Tami (Alyn and Deeside) (Lab): In response to my hon. Friend the Member for Wrexham (Ian Lucas) and my right hon. Friend the Member for Leicester East (Keith Vaz), the Secretary of State gave vague assurances on intra-company transfers, particularly those that are vital to the future of Toyota on Deeside. When will he finally end the uncertainty that still hangs over this issue?

Vince Cable: The Home Secretary will announce the results of the consultation very soon, and I am sure that it will give the hon. Gentleman the assurances that he wants on inter-company transfers.

T7. [24753] **Nigel Mills** (Amber Valley) (Con): Will the Minister agree to meet a social enterprise in my constituency whose future is threatened by the draconian attitude of RBS, which seeks nearly £400,000 in penalties for a minor breach, even though a non-nationalised bank is willing to refinance its loan fully?

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Davey): The Government are keen that banks should behave responsibly towards businesses, charities and social enterprises, and we continue to work with the banks to achieve that. For example, we are working with them to revise the lending code for micro-enterprises and we are publishing lending principles for medium-sized and larger businesses. We will continue to hold banks to account when they act unreasonably, and my officials will raise this matter with RBS.

Angela Smith (Penistone and Stocksbridge) (Lab): In a letter that I received this morning from the Secretary of State, I was told that the funding for AgustaWestland

"has been provisionally allocated under the capital budget of the department over the Spending Review period",

whereas the Sheffield Forgemasters loan was cancelled in June because its funding had been allocated during the current financial year. I thank the right hon. Gentleman for the speediness of his response, but as the Forgemasters loan was the only BIS investment that was dropped in June, why can it not be picked up again and allocated in the period of the forthcoming spending review?

Vince Cable: Because those two projects have wholly different origins and outcomes. We have not made any commitment on the AgustaWestland project, which will be evaluated and negotiated in the proper way. As for Sheffield Forgemasters, the hon. Lady has been told on several occasions that if it and its supporters put in a bid to the regional growth fund, it will be considered alongside other projects.

T8. [24754] **Annette Brooke** (Mid Dorset and North Poole) (LD): One in five lip-reading classes in England and Wales are threatened with closure next year. Will the Minister reclassify lip-reading as an essential skill rather than a leisure activity, making sure that the classes are accessible to the hearing-impaired and continue to protect their ability to communicate?

Mr Hayes: I entirely agree with the hon. Lady, who will know that I have been a champion of the disability lobby for many years, as the chairman of the all-party group on disability. I shall certainly look into this matter. She will know that we have protected adult and community learning in the Budget. Some £210 million has been protected because we know the difference it makes in changing lives and life chances.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): R3, an insolvency body, recently indicated that one in 10 companies are not prepared for the VAT increase in January. The Federation of Small Businesses in the north-east has highlighted a Kingston university study finding that small and medium-sized companies in the north-east will shed jobs. What action will Ministers take to deal with the VAT increase in January?

Mr Prisk: The whole point of making sure that the increase does not come during the Christmas period is that that is the most difficult period for most businesses. The increase is being made at the end of that period so that businesses can make the adjustment. Unlike what happened with the VAT change under the previous Government, we have given businesses a full six months and more to prepare. If there are particular cases to discuss, I am happy to talk to the hon. Gentleman.

T9. [24755] **Charlie Elphicke** (Dover) (Con): It is not too early to say that the ability of further education colleges to innovate has been strangled by targets and the dead hand of bureaucracy. Does the Minister plan to free colleges and make them more responsive to student and employer demands?

Mr Hayes: I have already mentioned our schools strategy, and we will free colleges for the first time from the hoop-jumping, bean-counting, form-filling, byzantine regime that the previous Government imposed upon them. They will be free to serve their learners, free to do their best and free to be their best.

Alison McGovern (Wirral South) (Lab): According to the Government's new skills strategy, local enterprise partnerships will have no powers over skills. Our people's skills are the biggest factor in holding back economic development, and Professor David Bailey says:

"Make no mistake, this is a big blow".

What will the Minister do to give powers over skills back to LEPs?

Mr Hayes: I think that the hon. Lady needs to read the document more closely, although I appreciate that she might not have had time to do so. We are very clear that colleges should work with local communities, engage with employers through local enterprise partnerships and react to their learners' needs. The system will be driven by the needs of learners, framed by the needs of our employers and engaged with the local community in a way that the previous Government could not even have dreamed of.

Martin Vickers (Cleethorpes) (Con): The Secretary of State mentions that one of his key responsibilities is growth. North Lincolnshire council in my constituency recently gave planning permission for a major development that offers an opportunity for a renewable energy cluster. Will he visit the area in the near future so as to understand the full potential that it offers?

Vince Cable: I have a long queue of engagements, but I shall add that to the list. It sounds a very promising opportunity.

Diana Johnson (Kingston upon Hull North) (Lab): Based on the equality impact assessment that I am sure the coalition Government have carried out on their higher education proposals, what will the impact of cutting the higher education teaching grant by 80% be on women?

Mr Willetts: Many part-time students are female, and it is already clear that our proposals to give a proper student loan entitlement to part-time students for the first time, in order to help with their fees, will particularly benefit women. We will publish the full impact assessment alongside our White Paper.

Mr David Evennett (Bexleyheath and Crayford) (Con): I welcome the steps that my right hon. Friend is taking to increase the number of student places at universities. He mentions increasing the number of part-time courses, and that is vital, but will he urge institutions to be more innovative in their approach to study?

Mr Willetts: My hon. Friend is right. One of the main objectives of our reforms is to allow greater diversity of provision, which means more short two-year courses and more part-time opportunities. We want to see a new freedom for universities to innovate, and those possibilities will arise as a part of our reforms.

Karl Turner (Kingston upon Hull East) (Lab): The £1.4 billion regional growth fund is clearly grossly underfunded, and if we had taken the advice of Ministers today we would have spent it 10 times over already. Did the Prime Minister give my constituents false hope yesterday, when he suggested to me that they should go to that fund for housing regeneration?

Mr Prisk *rose—*

Vince Cable *rose—*

Mr Prisk: As you can see, Mr Speaker, we are very keen to answer this question.

Absolutely not. Every area can bid, and the opportunities are clear for every constituency. There are also opportunities for the private sector, but the key point is that when funds are tight, we have to remind ourselves that the reason why is sitting on the Opposition Benches.

Julian Smith (Skipton and Ripon) (Con): May I plead with the employment Minister and his boss to delay the implementation of flexible working, shared parental leave and the expansion of legislation on the right to request training, in order to give British business a holiday from new employment legislation in 2011, and allow it to focus on job creation and growth?

Mr Davey: I may be about to disappoint my hon. Friend, because he will know that the coalition has some very expansive plans to promote the right to request flexible working for all employees, and to develop a new system of flexible shared parental leave. We believe that when we publish our plans and consult on them in the new year, he, and many businesses, will see that they are actually ways to promote business growth and enterprise.

Kevin Brennan (Cardiff West) (Lab): We have learned this week from the papers that the Secretary of State is participating in the "Strictly Come Dancing" Christmas special. [Hon. Members: "Hurrah!"] Does that mean that his policy towards business and the economy is "Slow, slow, quick, quick, slow"?

Vince Cable: I have been taught to dance "Quick, quick, quick, quick, quick", and that is what I will be doing, both in my Department and on the Christmas show.

Margot James (Stourbridge) (Con): I understand that Lord Young is examining the impact of employment law on the growth of small business. Will my hon. Friend work with Lord Young to identify whether there are ways of modifying employment law for small businesses, particularly those that are family owned, and employ small numbers of people?

Mr Davey: I have already met Lord Young to discuss his review, and I will be working with him. The House will want to pay tribute to Lord Young for his award yesterday as peer of the year.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): I welcome the commitment, given by the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for Wantage (Mr Vaizey), in response to my first question, to setting up structures to access European regional development funding. Will the Minister confirm that money will be available to get the projects together to do that?

Mr Prisk: The officials are dealing with that issue at this precise moment. Once we have an answer, I will come straight back to the hon. Gentleman.

Gordon Henderson (Sittingbourne and Sheppey) (Con): In my constituency, small businesses have historically been able to visit our local Crown post office to collect their mail early in the morning. Now the Post Office has informed those businesses that in future they will have to pay £225 per month if they want to collect their post

before 8.30 in the morning. Will my hon. Friend encourage the Post Office to drop that additional burden on small business?

Mr Davey: As my hon. Friend knows, such issues are operational matters for the management of Royal Mail, but I will certainly raise that matter with them.

Valerie Vaz (Walsall South) (Lab): May I press the Minister on when exactly he spoke to the Department of Health about forgivable loans for medical students?

Mr Willetts: I have had several discussions with the Secretary of State for Health, and our proposals will ensure that we continue to be able to fund medical students in Britain.

Several hon. Members *rose—*

Mr Speaker: Order. Demand has exceeded supply, as usual.

Socio-economic Equality Duty

11.32 am

Fiona Mactaggart (Slough) (Lab) *(Urgent Question)*: To ask the Minister to make a statement on the announcement yesterday outside Parliament that the Government intend to drop section 1 of the Equality Act 2010, which places duties on public bodies to act in respect of socio-economic disadvantage.

The Minister for Equalities (Lynne Featherstone): Equality is at the heart of what this coalition Government are all about. We have come together as a coalition to govern on the principles of freedom, fairness and responsibility.

In Britain today, those growing up in households that have fallen too far behind still have fewer opportunities available to them and they are still less able to take the opportunities that are available. We need to design intelligent policies that give those at the bottom real opportunities to make a better life for themselves. That is why we are devoting all our efforts and energies to policies that can give people real opportunities to make life better for themselves, and not just to new and unnecessary legislation.

We do not need new laws to come up with policies that open up opportunities, and we do not need new laws to come up with policies that support and protect the most vulnerable. We have already begun to implement them. That is why over the course of the spending review, we will spend over £7 billion on a new fairness premium. That will give all disadvantaged two-year-olds an entitlement to 15 hours a week of pre-school education, in addition to the free entitlement that all three and four-year-olds already receive. It also includes a £2.5 billion per year pupil premium to support disadvantaged children.

Those measures, combined with our plans for extra health visitors and a more focused Sure Start, will give children the best possible start in life. That is why we are extending the right to request flexible working to all, helping to shift behaviour away from the traditional nine-to-five model of work, which can act as a barrier to so many people and often does not make sense for many modern businesses, and why we will implement a new system of flexible parental leave, which will end the state-endorsed stereotype of women doing the caring and men earning the money when a couple start a family.

We do not need laws to make choices that protect the most vulnerable. When we have had to make difficult choices about how to deal with the record budget deficit left by Labour, we have done so in a way that protects the most vulnerable. We will increase child tax credits for the poorest families, protecting against rises in child poverty; we will increase spending on the NHS and schools in real terms every year; we will lift 880,000 of the lowest-paid workers out of income tax altogether; and we will protect the lowest-paid public sector workers from the public sector pay freeze.

All those policies were designed by the coalition to protect those most at risk and to give opportunities to those most in need. They are real action, not unnecessary empty gestures. That is why we are scrapping the socio-economic duty. I said during the passage of the Bill that this was a weak measure, that it was gesture politics, and that it would not have achieved anything concrete. The policy would only have been a bureaucratic box to tick—another form to fill in. It would have distracted hard-pressed council staff and other public sector workers away from coming up with the right policies that will make a real difference to people's chances in life.

We cannot solve a problem as complex as inequality in one weak legal clause, and we cannot make people's lives better by simply passing a law saying that they should be made better. We believe that real action should be taken to address the root causes of disadvantage and inequality. We do not need empty gestures, and we do not need the socio-economic duty, to do that.

Fiona Mactaggart: It is very disappointing that I had to ask the Minister to come here. I would have expected at least a written ministerial statement or a statement to the House on a decision of this nature.

Dropping the socio-economic duty was not in the coalition agreement. It was a major part of the Equality Act 2010, which Parliament passed only this year. While we know that the Conservatives have never wanted Government to take responsibility for building a more equal society, that is not the view that the hon. Lady herself has previously taken. In fact, despite her words just now, on Second Reading of the Equality Bill she called for more legislation:

"The Government should have made legislative proposals to tackle socio-economic inequality in a Bill of its own".—[*Official Report*, 11 May 2009; Vol. 492, c. 579.]

Given the importance of narrowing the equality gap, does she still think this?

What proposals will the Minister now bring forward to assess the impact of Government policies on the most disadvantaged? Despite her fine words, is it not true that this Government simply do not care about socio-economic inequality? The Institute for Fiscal Studies has proved that the Government are hitting the poorest hardest. If there is no duty, how will people know about the impact of Government decisions on the most disadvantaged?

With this duty in place, public bodies would have had to think about what they should be doing to improve life chances. We all know about Sure Start; indeed, the Minister referred to it. We know its fantastic work, and how its impact is greatest on the most disadvantaged children. Councils would have had a duty to take that into account if they were thinking of closing children's centres, but she is now saying that they will not. Does she think that is right?

The hon. Lady said that the duty is bureaucratic, but the truth is that the Government have the power to decide how it is implemented. Did the Government even attempt to draw up a flexible way of introducing it?

The Minister said that we cannot deliver equality by legislation, but the simple truth is that the Government do not believe that they have any responsibility to deliver a fairer society. Of course, legislation does not work like magic, but it is a key way that Government can change things. Road safety legislation does not stop all accidents, but it does make our roads safer and it does save children's lives. This duty would have helped to make our society fairer, and it would have given poorer people a fair chance, so why is she scrapping it?

Lynne Featherstone: After 13 years of a Labour Government who left behind them a more unequal society with a widening gap between rich and poor, the

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idea that an exceptionally weak clause in an Act that has not been enacted or implemented was major legislation, when it contained only a duty to consider, is everything that is bad about politics. *[Interruption.]* It has not been implemented.

The public sector equality duty that will be introduced in the spring is the strongest measure possible. It will allow for transparency, and it will allow people to hold the authority to account in their locality. What the Government are doing is far more important than the duty the hon. Member for Slough (Fiona Mactaggart) mentions. We are taking 880,000 lower-paid people out of tax, and spending £7 billion on the fairness premium and £2.5 billion on the pupil premium, which is additional money and the single most important measure for changing children's life chances.

What is more, let me read to the hon. Lady what the last Government's social mobility tsar Alan Milburn said:

"The challenges of the future call for a different relationship between the state and the citizen…It will mean…not just passing laws."

But that was all the Labour party did—pass laws. What we are doing is about outcomes, not ticking boxes.

Sarah Newton (Truro and Falmouth) (Con): The most disadvantaged children, like all children, need time with their parents to thrive and prosper. Does the Minister think that flexible parental leave and the right to request flexible working are a more progressive concept than equality by diktat?

Lynne Featherstone: Of course, the right for all employees to request flexible working is a hugely important step and extremely progressive. It is about shifting the stigma that has always appertained to women requesting flexible working, and accepting that in whole-life journeys we all have caring responsibilities, including men, who were part of the equation last time I looked.

Glenda Jackson (Hampstead and Kilburn) (Lab): If the hon. Lady is so dismissive of legislation, one wonders why she is sitting where she is. May I point out to her that it was legislation that afforded women the right to vote, quite apart from other legislation that has been transformative not only for our society but for societies around the world?

If the hon. Lady is genuinely concerned that children in deprived situations should be taken out of that deprivation, why have her Government introduced a cap on housing benefit that will make thousands of children homeless?

Lynne Featherstone *rose—*

Mr Speaker: Order. The Minister really cannot go into the subject of housing benefit caps. She can give a reply on equality if she wants, but she cannot talk about that, I am afraid.

Lynne Featherstone: That is such a shame, Mr Speaker, but I will restrain myself.

Of course legislation is important, but it must be effective legislation, not gesture legislation.

Harriett Baldwin (West Worcestershire) (Con): Is the Minister as surprised as I am to hear what is being said by Opposition Members who, in debates on previous legislation, have argued against equally weighted votes for men and women in equally sized constituencies?

Lynne Featherstone: My hon. Friend is exactly right. It is very surprising.

Mr Speaker: Order. May I just say gently that people are perfectly entitled to vent their views, but questions must relate to the socio-economic duty? That is the matter that we are discussing.

Emma Reynolds (Wolverhampton North East) (Lab): The Government's dilution of the previous Government's equality legislation is just one of a series of betrayals of women. They failed to undertake a gender impact assessment of the emergency Budget—*[Interruption.]* Maybe the Minister for Policing and Criminal Justice would like to take this seriously, because it is a serious matter. The Government have failed to sign up to new measures to combat human trafficking of women and children, and they have frozen the pay of the lowest-paid public sector workers, whose actual salaries are less than £21,000 and many of whom are women. When exactly will they stop taking measures that have a disproportionately negative impact on women?

Lynne Featherstone: As I am sure the hon. Lady knows, the Treasury did an envelope impact assessment on the comprehensive spending review, and each Department will undertake an extensive impact assessment as the spending review plays out. The Government are absolutely committed to equality and fairness—not just saying that we are doing it, but actually doing it.

Mr Peter Bone (Wellingborough) (Con): I do not know what a socio-economic equality duty is, and nor do the people of Wellingborough. May I suggest that it is left-wing tosh and should be scrapped?

Lynne Featherstone: I appreciate my hon. Friend's direct approach. I probably would not put it in quite such pejorative terms. If the Government are interested in delivering fairness and equality, that has to be done through measures that actually deliver them, rather than just talking about them.

Kate Green (Stretford and Urmston) (Lab): Perhaps I can help the hon. Member for Wellingborough (Mr Bone). In the poorest wards in my constituency, my local authority—Tory-controlled Trafford—has repeatedly under-invested in public services, from addressing health inequalities to sweeping snow from the streets. In the absence of the socio-economic duty, how can my poor constituents be sure that they will not continue to lose out?

Lynne Featherstone: All councils up and down the country that are worth their salt will already be considering the socio-economic duty in terms of all the money they spend. That is the point. *[Interruption.]* I am sorry, but Opposition Members can jump up and down as much as they like—a duty to consider is not action at all.

John Howell (Henley) (Con): Does my hon. Friend recall that I, too, was a member of the Committee that considered the Equalities Bill? Does she agree that the then Minister's enthusiasm for this duty was utterly unconvincing in Committee? Does she agree that it detracted from the seriousness of the other duties in the Bill and that there was no idea what the impact would be?

Lynne Featherstone: I agree. That is the whole point. That is why I called the duty weak and why Lord Lester from the other place called it watery. It would not deliver what it said it would. Other proposals in the Bill were more important, but this duty distracted from their importance.

Mr David Winnick (Walsall North) (Lab): I am rather pleased by what the Minister has said, because it demonstrates beyond any shadow of a doubt that she, like other Liberal Democrats in the Government, is simply a mouthpiece of the Tories.

Lynne Featherstone: That is a charming, but inaccurate description.

Jake Berry (Rossendale and Darwen) (Con): The Bill's provisions have been described as "socialism in one clause". Does the Minister agree that we cannot solve a problem such as inequality in one clause, whether by socialism or any other means?

Lynne Featherstone: I agree. Delivering equality and fairness is a serious matter, and the idea that one clause would make a significant difference is wrong, particularly as it was a tick-box exercise. If it had delivered a measured outcome, I am sure we would be implementing it; as it did not, we are not.

Miss Anne Begg (Aberdeen South) (Lab): For decades, disabled people were told that equality would come through education and changing attitudes, but it did not. It was not until the introduction of the Disability Discrimination Act 1995—an imperfect Act it was, too—that we began to see equality. The Equalities Act 2010 would have done the same for poor people, and it does them and the hon. Lady a disservice when she says that the Government will scrap this duty. That is a mistake.

Lynne Featherstone: The hon. Lady makes my point for me. Substantive legislation is extremely important; this was not substantive legislation.

Greg Mulholland (Leeds North West) (LD): Does my hon. Friend agree that the Opposition's fixation on socio-economic equality rather than equality of opportunity is the reason why, sadly, during 13 years of Labour, our young people's chances were determined by how much their parents earned. That brings shame on Opposition Members.

Lynne Featherstone: I could not agree more. It is to the shame of the Labour Government that, after 13 years, they left this country more unequal than ever before.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): I am sorry, but it is rather incredible that the Minister has come here to try to defend the indefensible and that she has done it so poorly. Surely, if the legislation is put in place, it is up to the Minister to ensure that it is not simply a tick-box exercise. What message does it send to people on lower incomes in poor communities when the Government do not feel that they are worth legislating for?

Lynne Featherstone: It is totally defensible. Listening to Opposition Members, I must say that they are re-enacting what is in the Act: they are talking about things, not delivering them.

Mr Dominic Raab (Esher and Walton) (Con): I welcome the Minister's reply, but will she go further? The Government are consulting on related regulations to force up to 27,000 councils, schools, police forces and other bodies annually to audit their work force on age, disability, sexuality, sex changes, religion and other beliefs. Can she explain how, according to the departmental answer I received this week, those requirements will not cost public—

Mr Speaker: Order. That question suffers from the disadvantage that it has absolutely nothing whatever to do with the socio-economic duty.

Bridget Phillipson (Houghton and Sunderland South) (Lab): The Minister came to the Chamber and said that the duty was "weak" and a "gesture", and that substantive legislation is required. When will she introduce that legislation?

Lynne Featherstone: I think the hon. Lady misheard. I did not say that. I said that if we want to make a difference with substantive legislation, we should introduce it. I have already said that the Equality Act 2010 is substantive legislation, but that duty is a little bit of it that is not substantive.

Greg Hands (Chelsea and Fulham) (Con): My hon. Friend is right to focus on specific measures. Does she therefore agree that it would be better to enact practical measures such as the right to request flexible working?

Lynne Featherstone: Yes, obviously.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): All hon. Members are in a position of immense privilege, and it is generally the case that laws and regulations are made by the privileged and imposed on the disadvantaged. Therefore, how can the Minister argue against a requirement to consider the interests of those in our society who do not have a voice?

Lynne Featherstone: Because it is meaningless. If I thought that the requirement would deliver anything, I would implement it. As it does not, I will not.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Does my hon. Friend agree that we heard from the Opposition spokeswoman, the hon. Member for Slough (Fiona Mactaggart), the pure nanny-state politics that was rejected so decisively by the British people at the last election?

Mr Speaker: Order. The hon. Gentleman is getting a little carried away, which is not an uncommon phenomenon in the House. He has resumed his seat and we are grateful to him. He knows, because he has been in the House for, I believe, 18 years, that he should not ask a Minister about the policies of the Opposition.

Geoffrey Clifton-Brown *rose—*

Mr Speaker: Order. The hon. Gentleman must contain himself. We will leave it there, and we are grateful to him.

Business of the House

11.52 am

Hilary Benn (Leeds Central) (Lab): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Sir George Young): The business for the week commencing 22 November will include:

MONDAY 22 NOVEMBER—Remaining stages of the Savings Accounts and Health in Pregnancy Grant Bill.

TUESDAY 23 NOVEMBER—Second Reading of the National Insurance Contributions Bill.

WEDNESDAY 24 NOVEMBER—Consideration in Committee of the Fixed-term Parliaments Bill (day 2), followed by motion to approve a statutory instrument relating to the draft Scottish Parliament (Elections etc.) Order 2010.

THURSDAY 25 NOVEMBER—Remaining stages of the Local Government Bill *[Lords]*.

The provisional business for the week commencing 29 November will include:

MONDAY 29 NOVEMBER—Opposition Day (7th allotted day). There will be a debate on an Opposition motion. Subject to be announced.

TUESDAY 30 NOVEMBER—A debate on banking reform followed by a general debate on regulation of independent financial advisers. The subject for both debates was nominated by the Backbench Business Committee. That will be followed by a motion to approve a statutory instrument relating to the draft National Assembly for Wales (Representation of the People) (Amendment) Order 2010.

WEDNESDAY 1 DECEMBER— Remaining stages of the Fixed-term Parliaments Bill.

THURSDAY 2 DECEMBER—A debate on the Independent Parliamentary Standards Authority. The subject for debate was nominated by the Backbench Business Committee.

FRIDAY 3 DECEMBER—Private Members' Bills.

Colleagues will also wish to know that my right hon. Friend the Chancellor of the Exchequer will make his statement on the autumn forecast on Monday 29 November 2010.

Hilary Benn: I thank the Leader of the House for his statement.

There were two statements on day one of the Fixed-term Parliaments Bill Committee. The first was not time critical and the second was self-inflicted because of a leak—yet another failure to tell Parliament first. Members were somewhat puzzled by the argument used by the Leader of the House on Tuesday in refusing extra time, given that the Government granted extra time for the Parliamentary Voting System and Constituencies Bill. If extra time was good enough for that constitutional bill, why is it not good enough for the Fixed-term Parliaments Bill?

Following the point of order made yesterday by my hon. Friend the Member for Rhondda (Chris Bryant), can the Leader of the House explain why, notwithstanding the resolution of the House of 19 March 1997, the Parliamentary Secretary, Cabinet Office, the hon. Member for Forest of Dean (Mr Harper), did not tell the House

until the very end of Tuesday's debate, rather than at the beginning, of his intention to write to the devolved Administrations to ask them whether they would like a new power on combining polls?

Yesterday, we had an urgent question from the hon. Member for Wellingborough (Mr Bone) on the Republic of Ireland's finances, in reply to which the Minister obviously could not say a great deal. Will the Leader of the House assure us that the Government will make an oral statement in the event that a bail-out that involves the United Kingdom is agreed?

On private Members' Bills, Mr Speaker, you have had on a number of occasions recently to remind Members about sticking to the subject. Last Friday it seems that one Member treated the House to a poetry reading while allegedly debating the Sustainable Livestock Bill. Will the Leader of the House find time for a debate on how we deal with private Members' Bills and the Standing Orders relating to their consideration, because it is pretty frustrating when filibustering gets in the way of proper debate and votes?

Last week, I asked the right hon. Gentleman for a pledge that there would be no vote on lifting the cap on tuition fees before the White Paper on higher education is published. He said that he would get back to me. Has he any news? Meanwhile, we learn that the right hon. Member for Yeovil (Mr Laws) is so worried about having a vote on the Lib Dems' broken pledge that he sent a rather frantic private e-mail to the Deputy Prime Minister, thoughtfully copying it to *The Guardian* in the process, in which he said:

"We really need to get it out of the way ASAP.?? The sooner this is over the better!!!"

I would say just this to the right hon. Member for Yeovil and his colleagues: I do not think that it will get any better, because a betrayal is still a betrayal, regardless of when it happens.

The Prime Minister was asked yesterday about yet another broken promise: namely the pledge to increase the number of midwives by 3,000, which he made in *The Sun* in January of this year. We are told that that promise was not included in the coalition agreement because of a change in the birth rate predictions. May we have a statement on what new predictions were published—presumably by the Office for National Statistics—between the pledge in January and the signing of the coalition agreement on 12 May?

The House will have noted that notwithstanding the Leader of the House's sterling defence in the past two weeks of the Prime Minister's decision to put his personal photographer on the civil service payroll, the Prime Minister has now decided that perhaps after all that was not a very good idea. May we have statement on how much it cost first to recruit and then to sack Mr Parsons, and will the Conservative party refund the cost of his salary for the time when he was a very temporary civil servant?

Finally, Mr Speaker, may I ask the Leader of the House and the Deputy Leader of the House whether they are happy? I inquire only because it seems that the Government are planning to publish a happiness index. Apparently, we will be asked questions such as, "How satisfied are you with your life on a scale of nought to 10?" As Sir Humphrey might have said, that is a brave thing for Ministers to do, but I feel honour bound to point out that happiness can go down as well as up.

Sir George Young: I am grateful to the right hon. Gentleman for his questions. On injury time, I gently remind him that when we debated the Constitutional Reform and Governance Act 2010—an important constitutional Bill that was taken on the Floor of the House—there was no question of injury time being allowed by the previous Government, of whom he was a member. Before Second Reading, we had a statement, but there was no injury time; on Committee day one, we had two statements, but no injury time; on Committee day two, we had one statement, but no injury time; and in carry-over, there was one statement on each day of Committee days five and six, but no injury time. I am therefore not sure why a new principle has suddenly been discovered now that the Labour party is in opposition.

There is another reason for not having injury time for debate on the Fixed-term Parliaments Bill: there is adequate time to debate the Bill without injury time. It is a five-clause Bill with a majority of, I believe, more than 300 on Second Reading. Any sympathy I had for the right hon. Gentleman's request dissipated when I followed the proceedings on Tuesday evening and saw—frankly—that the Opposition did not make the best use of the time available. Members who were not that familiar with the proceedings were asked to speak at short notice and at great length.

The right hon. Gentleman asked about something else that happened that day. The Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Forest of Dean (Mr Harper), who is in charge of the Fixed-term Parliaments Bill, made an announcement to the House, which is entirely what the Government ought to do. He communicated to the House from the Dispatch Box a decision of the Government. We would have been criticised had we done it by written ministerial statement, and I find it astonishing that, when we actually come to the Dispatch Box and make an announcement, we are criticised for it.

On Ireland, as the right hon. Gentleman said, a statement was made yesterday by the Financial Secretary to the Treasury. This country has close economic ties with Ireland and we want Ireland to prosper. What we do will be in Britain's national interest and we have an interest in a stable and prosperous Ireland, so we stand ready to help if requested.

On private Members' Bills, I am sure that if anyone had filibustered, you, Mr Speaker, or the person in the Chair, would have rightly brought that person to order. On the serious issue about private Members' Bills, however, as the right hon. Gentleman knows, the Procedure Committee is conducting an inquiry into the sittings of the House, subsumed into which will be the question about Fridays and whether the House should sit on them, and if not, what should happen to the business discussed on Fridays. It would be wholly within the Committee's remit to take on board the serious issue that he raised about how we process private Members' Bills.

My right hon. Friend the Minister for Universities and Science has written to the right hon. Gentleman—I have the letter, dated 17 November, in front of me—responding to the issues he asked me about, and I am sorry if the letter has not reached him yet.

On midwives, the House will have heard yesterday's exchange. We made it clear in a recent meeting with the Royal College of Midwives that the Government will continue to train midwives at current rates, and we are

[Sir George Young]

considering ways of helping to improve midwife recruitment and retention, given the increased number and complexity of births in recent years. The planned number of trainees next year will be higher than the number this year.

On the photographer, I would say gently to the right hon. Gentleman that the last Government spent £500 million on communications. We are cutting that by two thirds, and the Downing street budget will fall by £6 million over the next four years—from £23 million to £17 million.

On happiness, my hon. Friend the Deputy Leader of the House and I are visibly, demonstrably happy, and we were made even happier by Tuesday's announcement of the royal wedding.

Mr Edward Leigh (Gainsborough) (Con): Will the Leader of the House kindly answer the question put by the right hon. Member for Leeds Central (Hilary Benn), and assure the House that there will certainly be a full oral statement, but preferably a debate, on any bail-out to the Irish, because the British people want to be assured that, at a time of painful cuts here, good money is not being thrown after bad, in driving the Irish further into the sclerotic arms of the euro, which caused the problems in the first place?

Sir George Young: I understand my hon. Friend's point. My right hon. Friend the Chancellor of the Exchequer will want to keep the House informed of any changes in the position between this country and Ireland.

Glenda Jackson (Hampstead and Kilburn) (Lab): Today, Age UK published a report showing that the Government's changes to housing benefit will mean a reduction of £12 a week for at least 80,000 pensioners. We know that the loss of £12 a week to a Cabinet of millionaires means nothing, but to my constituents it can mean the difference between eating and heating. May we have a debate in Government time, therefore, with a substantive motion, on the Government's failure to meet their much-vaunted promise to protect the most vulnerable in a time of severe economic hardship, in the hope that perhaps they will begin to reconsider some of these vicious policies?

Sir George Young: I announced that there would be an Opposition day—subject to be announced—and it is perfectly open to the hon. Lady's right hon. Friends on the Front Bench to choose housing benefit as a subject. The policy we are introducing on housing benefit resembles very closely the commitment in the Labour party manifesto and the commitment supported by James Purnell. The hon. Lady might have heard the exchange on the "Today" programme, when the Minister for Housing and Local Government referred to the discretionary fund available to those who, for whatever reason, cannot move and are in hardship. That sum is now £140 million, compared with the £10 million it was initially, and my right hon. Friend has indicated that he is prepared to top that up. I hope that the hon. Lady will not cause alarm unnecessarily.

Mr Charles Kennedy (Ross, Skye and Lochaber) (LD): May I draw the attention of the Leader of the House to the fact that it would appear that this year's annual fisheries debate, which takes place in December, precedes the Council of Fisheries Ministers and has been handed by the Executive into the bailiwick of the Backbench Business Committee? I have no objections to that Committee, but I think, as do many of the 80 or so members of the all-party fisheries group, that this debate should, as is traditional, be held in Government time. Will the Leader of the House do something about that please?

Sir George Young: My right hon. Friend said that the Executive has handed this responsibility to the Backbench Business Committee, but it was the House of Commons that handed it to the Committee. We have implemented the Wright Committee's recommendations in full. Paragraph 145 of the Wright Committee report makes it clear that the debate to which he referred is one of those that has now been transferred to the Backbench Business Committee. It is up to that Committee to schedule all debates in the 35 days we have transferred to it. The hon. Member for North East Derbyshire (Natascha Engel), the Chair of the Backbench Business Committee, will have heard my right hon. Friend's plea, and it is now up to her and her Committee to see whether, out of the days we are allocating to it, the fisheries debate qualifies for consideration.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Following on from that point, I note that the usual debate ahead of the European Council is now said also to fall within the remit of the Backbench Business Committee. May I gently suggest that that means a complete and utter abdication of the responsibility to discuss matters European on the Floor of the House at the initiation of the Government, and not Back-Bench Members?

Sir George Young: I hate to disagree with the hon. Lady, whom I congratulate on winning *The Spectator* award last night at a very moving ceremony. It was richly deserved. I say to her gently that paragraph 145 on "Set piece debates" in "Rebuilding the House"—the report by the Wright Committee—mentions

"two days for pre-European Council debates".

It makes it clear that those debates transfer to the Backbench Business Committee. This is not the Government imposing something on the House; it is the House taking away from the Government responsibility for fixing its own agenda. I support that, and I hope that she does too.

Dr Thérèse Coffey (Suffolk Coastal) (Con): Will the Leader of the House consider a debate in Government time on concessionary bus fares? The reorganised system—with the removing of grants and the transfer to county councils—has become exceptionally bureaucratic and means that shire and district councils lose out disproportionately. The all-party group on rural services is raising this matter with Ministers, and I am sure that many other colleagues would wish to participate in such a debate.

Sir George Young: I understand my hon. Friend's concern. She will know that we are implementing the policy initiated by the outgoing Government of transferring responsibility from the lower tier to the top tier. The Department for Communities and Local Government recently consulted on how that transfer will be taken

into account in authorities' funding allocations from 2011-12. The formula grant is allocated on the basis that the level provided overall is sufficient to enable local authorities to deliver effective local services, and we will shortly publish the details on the outcome of the formula grant consultation and on how the overall funding pot will be distributed among authorities.

Sir Peter Soulsby (Leicester South) (Lab): In view of the discussions about the future of our national forestry taking place in the other place as part of the Public Bodies Bill, the Secretary of State for Environment, Food and Rural Affairs has been asked to produce a list of Forestry Commission land by constituency. She has so far failed to provide that list. Hon. Members have a right to know which land in their constituencies will be affected by this fire sale. Can the Leader of the House produce such a list for Members, and can we have an urgent debate on the future of this precious national forestry heritage?

Sir George Young: I am not sure whether it is the Forestry Commission or my right hon. Friend the Secretary of State who has the data on which forests are in whose constituencies. However, it is important that this information is put into the public domain, and I will pursue with my right hon. Friend the issue that the hon. Gentleman has raised and ensure that Parliament has access to the information to which it is entitled.

Dan Rogerson (North Cornwall) (LD): The Leader of the House will be aware of the situation in Cornwall yesterday and today. Obviously the emergency services, the Environment Agency and the local authority are working hard to address the issues, and there will undoubtedly be lessons to be learned, as there are from all such incidents. I hope that the Leader of the House will have the opportunity to reflect on the difficulties, which may involve, for example, early-warning systems, or the cost of clean-up and reopening transport corridors.

Sir George Young: I understand the concern that my hon. Friend has raised on behalf of his constituents. He may know that my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs is visiting the affected area today. Many of my hon. Friends are in their constituencies doing what they can to help. My right hon. Friend plans to make a written statement to the House tomorrow, following her visit to Cornwall today, and will keep the House updated. The Government will do all that we can to help the businesses, families and communities that have been affected by the flooding, as my right hon. Friend the Prime Minister said yesterday.

Jim Sheridan (Paisley and Renfrewshire North) (Lab): May we have a debate on the ever-increasing cost of energy for consumers? Energy Action Scotland has just announced that 5.5 million homes in the UK are now living in fuel poverty. Centrica has just announced a 7% increase, despite a higher rise in profits than was expected. A debate would give us the opportunity to say that we really are all in this together and that there should be no exemptions.

Sir George Young: I understand the point that the hon. Gentleman makes. He will know that we plan to introduce a green deal, which will help households to keep down their energy costs, albeit without having to fund that themselves. There will be an opportunity on 16 December to raise the matter at Energy questions, or he might like to apply for an Adjournment debate to express his concerns more fully.

Dr Julian Lewis (New Forest East) (Con): Given the decision to jeopardise the future of the nuclear deterrent by putting off the main gate contract decisions until the other side of the general election, may we have a debate in Government time, and with a vote, so that hon. Members from the Conservative and Labour parties can register publicly their support for the next generation of the Trident deterrent, in what might be called a coalition for Trident replacement?

Sir George Young: I understand my hon. Friend's concern, but I have to say that the Government did provide time for a debate on the strategic defence and security review, which took place at the end of last month, and we have no plans to revisit the issue in the near future.

John Woodcock (Barrow and Furness) (Lab/Co-op): Does the right hon. Gentleman agree that we should have a debate on bowling greens? There are many crown green bowlers in my constituency—and, I think, across the country, particularly in the north of England—who are concerned at the rate at which their greens, when attached to pubs, are being sold off for building purposes, never to return. Can we have a debate on how we encourage pubs to retain what are important community facilities?

Sir George Young: No one is keener on bowling greens than I am, and I understand the concern that the hon. Gentleman has expressed. Listening to his question, I would have thought that if a pub wanted to convert a bowling green into a development, that would require planning consent from the local authority, which should be a precaution against the trend that he has outlined. However, may I suggest that he apply for a debate on bowling greens in Westminster Hall, so that all who share his enthusiasm for the sport can join him in expressing their concern?

Mark Reckless (Rochester and Strood) (Con): May I repeat the request for a debate on Ireland? My grandfather served in the Dail for Fianna Fail, and if he could see it now, he would be turning in his grave. Surely the message from this House to those politicians must be that we will not vote for a penny to bail out their euro, whereas the message to the Irish people must be that we will give whatever support is necessary to support an orderly return to sterling.

Sir George Young: I understand where my hon. Friend is coming from. I repeat what I said to my hon. Friend the Member for Gainsborough (Mr Leigh). The Chancellor of the Exchequer will want to keep the House informed in the light of the discussions that are taking place in Dublin about the support that may be needed, but which, as I understand it, has not so far been requested by the Irish Government. This country has an interest in a stable and prosperous Ireland and, as I have said, we stand ready to do what we can to secure that objective.

Huw Irranca-Davies (Ogmore) (Lab): Will the Leader of the House find time for a debate on in-service support for those members of our armed forces who are suffering from post-traumatic stress disorder? Last week I had a visit from the father of Lance Corporal Darren Gregory, who was cited in the case of two actions in Basra in June 2007 for

"conspicuous gallantry, ferocious determination and inspiring leadership"

of the highest order. His actions were utterly decisive, and he single-handedly inspired the defence to beat off two heavy attacks by a superior force; and yet this person, in 2 Royal Welsh, was let down when he most needed support. Will the Leader of the House find time for a debate, so that we can ensure that we have that support in place for our courageous armed forces?

Sir George Young: I understand the point that the hon. Gentleman has made, and the House will have every sympathy. We will be introducing the armed forces Bill quite soon, which may be an opportunity for him to share his concern. However, I would just say that we have doubled the operational allowances paid to our armed forces and announced changes to rest and recuperation. We have announced improvements in the area of mental health, but if we can do better, we should.

Elizabeth Truss (South West Norfolk) (Con): Since the launch of the "Make it Marham" campaign last week, we have collected more than 10,000 signatures in Norfolk to ask the Prime Minister to ensure that the Tornado base continues at RAF Marham, where it is most economically efficient. Will my right hon. Friend join me in recognising the strength of feeling in Norfolk and East Anglia in support of the base, and will he consider a debate on the issue?

Sir George Young: My hon. Friend expresses the concern of her constituents very well. She asks for a debate on the issue, but I should point out that she was successful in securing a debate on 4 November, and I wonder whether we could have too much of a good thing. I congratulate her on the case that she has made. The decisions to which she has referred mean that Kinloss and two other bases will not be required by the RAF, but no decisions have been made on which bases they should be or on any future use for them. It will take some time to work out the implications for our basing policy, but of course we take on board the strong case that she has made on behalf of her constituents.

Jim McGovern (Dundee West) (Lab): Can we please have a debate about the potential impact of proposed changes to the benefits system on the job security of Her Majesty's Revenue and Customs employees? I put that question to the Chief Secretary to the Treasury on Tuesday. At best, he completely misunderstood the question; at worst, he completely evaded it. Such a debate would allow me to offer some guidance to my constituents, many of whom express concern that as many as 700 jobs could be lost in Dundee because of the changes—unless, of course, the Leader of House can provide me with an answer on behalf of his right hon. Friend the Chief Secretary.

Sir George Young: Of course I understand the concern of those who work for HMRC about the future of their jobs. I would gently point out that even if the hon. Gentleman's Government had been returned, there would have been reductions in public sector employment. I will pursue the specific issue that he raised with my right hon. Friend the Chief Secretary, and if the answer that he gave on Tuesday was not full—which I am sure it was—I will ask him to amplify it in a letter.

Mr David Burrowes (Enfield, Southgate) (Con): May we have a statement following the important talks taking place in New York today between the UN Secretary-General and the leaders of the Turkish Cypriot and Greek Cypriot communities? Will the Leader of the House join me in expressing his support for a just and lasting settlement that will reunite the island of Cyprus, which for so many years has been blighted by occupation and division?

Sir George Young: This is an issue of great concern to my hon. Friend's constituents in Southgate, and he has raised it on several occasions. There was a debate on 16 November, which was replied to by my hon. Friend the Minister for Europe. The Government support a just and lasting settlement. That was an important manifesto commitment and a priority recognised in the coalition's programme for government. Only a united island, within the European Union, will provide the long-term peace and security that all Cypriots deserve.

Kevin Brennan (Cardiff West) (Lab): Under pressure, the Prime Minister has got rid of his vanity snapper, but we still need that debate on cronyism and appointments to the civil service. Did the Leader of the House see the letter to *The Times* on Monday from Sir Robin Mountfield, the former permanent secrecy to the Cabinet Office, in which he said:

"These provisions were intended to meet genuine and exceptional management needs, not to accommodate political and personal friends or associates"?

Finally, he said that

"the...principle of appointment on merit by fair and open competition...should not be allowed to be eroded, whether at these or...senior levels."

Does the Leader of the House agree with Sir Robin?

Mr Speaker: It is not agreement or disagreement that is at the heart of business questions; what is at the heart of business questions is the request for a statement, and we will operate on the basis of that request having been made.

Sir George Young: I would just say to the hon. Gentleman that his party made dozens of short-term appointments in government and had more than 700 exceptions to civil service appointment rules signed off. Against that background, the actions of this Government are very modest.

Greg Mulholland (Leeds North West) (LD): As we approach the festive season of Christmas, an unholy price war has broken out in the supermarkets over the sale of alcohol. Tesco is offering two 70 cl bottles of top brand spirits for just £20, Asda is selling 1 litre bottles of spirits for just £15, and Sainsbury's and Morrisons are selling Baileys at half price.

The all-party save the pub group warmly welcomes the Government's intention to introduce a ban on below-cost selling, but will the Leader of the House make a statement on when that will happen, and whether it will cover irresponsible promotions that do nothing to encourage responsible drinking, and damage the pub industry?

Sir George Young: I confirm that the Government will shortly introduce relevant legislation to address the issues that my hon. Friend touched on. It will set a framework to enable licensing authorities properly to address the pressures caused by excessive late-night drinking in the 24-hour licensing culture. It is also our policy to ban the sale of alcohol at below cost in supermarkets.

Diana Johnson (Kingston upon Hull North) (Lab): In the light of the dreadful floods in Cornwall, the Prime Minister said yesterday that spending on flood protection would be protected in the comprehensive spending review. I understand that there will be cuts of up to 28% in the flood protection budget. Will the Leader of the House make time for a debate in Government time on flood defences, so that the Prime Minister's statement can be corrected and so that Ministers from the Department for Environment, Food and Rural Affairs can come to the House to update us on the plans for a local levy for communities that suffer from flooding, such as mine in Hull?

Sir George Young: The statistics that my right hon. Friend the Prime Minister gave yesterday were correct. If the hon. Lady was listening to the "Today" programme, she will have heard the chairman of the Environment Agency confirm that those were indeed the figures for the four-year period concerned. She will know that my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs will make a written ministerial statement on the position in Cornwall in due course, and there will be opportunities to question her about the issues that the hon. Lady raised about future funding of flood prevention measures.

Julian Sturdy (York Outer) (Con): Given the high level of concern among my constituents in York Outer and those of hon. Members on both sides of the House, which was highlighted in earlier questions today, does the Leader of the House have any plans for a debate on bank lending and its effect on small and medium-sized businesses?

Sir George Young: I announced to the House at the beginning of this exchange that the Backbench Business Committee had selected a debate on banking, so there will be an opportunity for the hon. Gentleman to make his point. We had a Back-Bench debate last Thursday on growth, when that important issue was raised. Ensuring the flow of credit to viable small and medium-sized enterprises is essential for supporting growth, and is a core priority of the coalition Government.

Nic Dakin (Scunthorpe) (Lab): The Deputy Prime Minister is fond of rushed constitutional change. Will the Leader of the House encourage him to introduce legislation on the power of recall, so that students up and down the land may use it to recall those hon. Members who break their pledge on tuition fees?

Sir George Young: There will be legislation on the power of recall, but if the hon. Gentleman reads the coalition document, he will see that it says that the power relates to serious wrongdoing, so it would not cover the issue that he has raised. Even if it did, I suspect that some Labour Members might find themselves equally vulnerable.

Gavin Williamson (South Staffordshire) (Con): My right hon. Friend may not be aware that the villages of Wombourne, Great Wyrley, Huntington, Calf Heath and Coven Heath in my constituency are facing the imposition of Traveller sites on green belt land. Will my right hon. Friend make time for a proper debate on the dreadful planning legislation left by the previous Government?

Sir George Young: The Government will shortly introduce a localism Bill, and it may be appropriate for my hon. Friend to raise that matter then. Local authorities will be responsible for determining the right level of Traveller site provision in their area in consultation with local communities.

Picking up my hon. Friend's point, we will strengthen councils' powers to take enforcement action against breaches of planning control, and will tackle abuse of the planning system. Many hon. Members will have shared in their constituencies the problems that my hon. Friend mentions.

Valerie Vaz (Walsall South) (Lab): Crown Currency Exchange was trading while insolvent, despite being registered by the Financial Services Authority. My constituent, Miss Patel, and 8,000 other people have lost a lot of money. May we have an urgent statement on a review of the legislation on companies that are registered and authorised by the FSA so that consumers are still protected?

Sir George Young: I am grateful to the hon. Lady, because I am sure that many colleagues have constituents who have been caught by the collapse of Crown Currency Exchange. I have announced that there will be a debate on independent financial advisers, a subject chosen by the Backbench Business Committee, and it would be wholly appropriate for the subject to be raised then. I will ensure that whichever Minister responds to that debate brings with them the latest information on the position of Crown Currency Exchange.

Michael Ellis (Northampton North) (Con): My right hon. Friend may not recall that 1897 was Queen Victoria's diamond jubilee. On that occasion the House of Commons presented a Loyal Address. Will the Leader of the House meet me to discuss the possibility of a similar process for the forthcoming diamond jubilee of Her present Majesty?

Sir George Young: I am grateful to my hon. Friend. I gather that he is chairman of the new all-party group on the Queen's diamond jubilee. I would welcome the opportunity to meet him to discuss how the House might celebrate the diamond jubilee in 2012, a subject on which you, Mr Speaker, and I am sure the House authorities, will also wish to engage.

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): For the past six months, the coalition has let no opportunity pass to tell us that the British economy is similar to that of the Irish. Now, it cannot tell us fast enough that Britain possesses a series of macro-economic tools that the Irish sadly do not possess. May we have a debate on why the Government have unnecessarily talked down the British economy for the past six months for naked political advantage?

Sir George Young: One or two Labour Members tried that argument yesterday during the statement by my hon. Friend the Financial Secretary to the Treasury. I wholly reject the premise on which hon. Gentleman based his question. We have taken firm action to deal with the deficit, which is far lower than that in the Irish Republic, so I reject entirely his comparison.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Thank you, Mr Speaker. I shall try not to test your patience this time. Earlier this week, you launched an important survey of Members' services in the House. That is important because it will indicate which Members give priority to which service, and which services should be provided in future. Will my right thon. Friend do all he can to encourage every hon. and right hon. Member to participate in that survey so that it provides as complete a result as possible?

Mr Speaker: I am sure that the hon. Gentleman was asking either for a statement or for a debate, but just forgot to do so.

Sir George Young: I grateful to my hon. Friend for raising that issue. It is important that hon. Members find time to complete the survey that was sent out a few days ago so that the House can gauge the support for existing services, and get ideas for how to improve them even more. All my work as Leader of the House was immediately put to one side when I received the survey, and I responded within 10 minutes of it arriving.

Robert Halfon (Harlow) (Con): Will my right hon. Friend agree to an urgent debate on extreme Islamists in the United Kingdom? As action was taken against Gareth Compton for his alleged threat to public disorder, does he agree that action should also be taken against the extreme Islamists who disrupted Remembrance Sunday last week because of their threat to public disorder?

Sir George Young: I am grateful to my hon. Friend, but the specific incident that he mentioned is a matter for the police and the Crown Prosecution Service. I think we all have a role in challenging extremism. We should all stand up for our shared British values and against extremists and their bigoted, racist and false ideology.

Greg Hands (Chelsea and Fulham) (Con): The Leader of the House will have seen reports earlier this week that the internet is running out of space. Can we have a debate on that to ask Members how they can do their bit to help? I note that the right hon. Member for Morley and Outwood (Ed Balls) still has a live website, edballs4labour.org, and a Twitter account for his leadership bid, @TeamEdB. Perhaps he has plans to reactivate those in the near future, but in the meantime will the Leader of the House call on all hon. Members to remove needless clutter from the internet?

Sir George Young: We would all endorse that, and I am sure that no one would be happier than the Leader of the Opposition if the right hon. Member for Morley and Outwood (Ed Balls) withdrew those websites.

Julian Smith (Skipton and Ripon) (Con): NHS Yorkshire and the Humber, and North Yorkshire and York primary care trust have given many charities in Yorkshire only 28 days' notice of decisions to cut their contracts in breach of the voluntary compact that they had agreed with them. Can we have a debate on how the voluntary compact is being applied nationally and locally by public bodies throughout the UK?

Sir George Young: I am sorry to hear about the specific incident that my hon. Friend has mentioned. Work is ongoing with Compact Voice to renew the document, and to ensure that it is shortened, sharpened and attuned to our priorities for the big society. The renewed compact will be published shortly, which I hope answers his question.

Jake Berry (Rossendale and Darwen) (Con): My right hon. Friend will be saddened and shocked to learn that Darwen's iconic and historic Jubilee tower, which was erected for Queen Victoria's jubilee in 1897, lost its roof during recent storms. Will he join me in congratulating local businesses that have volunteered to repair the tower, in some cases free of charge? Will he find time for a debate on this example of the big society in action?

Sir George Young: I am delighted to hear about what has happened in Darwen. It is a good example of local people coming together to solve problems without necessarily looking to the public purse for a solution. Whether I can find time for a debate I am less certain, but the hon. Member for North East Derbyshire (Natascha Engel), who chairs the Backbench Business Committee, was listening with interest to my hon. Friend's plea.

Mr Peter Bone (Wellingborough) (Con): Further to yesterday's urgent question, the governor of the Irish central bank has said today that Ireland will require a substantial loan as part of an EU bail-out. May I ask for an emergency debate next week on this subject, so that the House can express its support for the Irish people alongside its concern at spending more money via the European Union?

Sir George Young: As I said earlier, I am sure that the Chancellor of the Exchequer will want to keep the House in the picture regarding any UK involvement in the measures to help Ireland. I cannot make a specific commitment on an emergency debate, but I will pass to my right hon. Friend the Chancellor the concern that my hon. Friend has expressed, which I know is shared by many of my right hon. and hon. Friends.

Points of Order

12.31 pm

Dr Julian Lewis (New Forest East) (Con): On a point of order, Mr Speaker. Is there any way in which, within the rules of order, I can place on record the fact that a request for a debate with a vote on the nuclear deterrent should not really be referred back to a debate on the strategic defence and security review, from which the deterrent was excluded and on which there was no vote at all?

Mr Speaker: The short answer is no, there is not, but the hon. Gentleman has naughtily done it anyway—a fact of which I think he is intimately conscious.

Tony Cunningham (Workington) (Lab): On a point of order, Mr Speaker. Notwithstanding what the Leader of the House said earlier, the Prime Minister said yesterday that the Government had maintained the previous Government's spending on flood defences. As I understand it, however, that expenditure will be made over four years and not three years, as the previous Government had planned. That will mean important schemes being delayed, which will give great cause for concern, particularly in areas such as Cornwall and Cumbria, and this is the anniversary of the floods in Cumbria. Can you give me some idea of how I can correct the record?

Mr Speaker: I sense that the hon. Gentleman has already done so. I further sense that that is something he might want to share with the masses of his constituency and with the media in his area, but I might be wrong.

Kevin Brennan (Cardiff West) (Lab): On a point of order, Mr Speaker. May I have your advice on the courtesies that should be extended to Members when other hon. Members invite large numbers of their constituents to events in the House? I have given notice of this to the hon. Member for Vale of Glamorgan (Alun Cairns), who organised an event in the House yesterday that large numbers of people from all the Cardiff constituencies attended. It was a non-political meeting, but hon. Members representing constituencies in and around Cardiff were neither notified of it in advance nor invited to it. Is there any guidance that you can issue on the normal courtesies and privileges involved? I am not alleging any wrongdoing—it might have been an oversight—but what are the arrangements, and what is your view, Mr Speaker?

Mr Speaker: The hon. Gentleman will not be surprised to hear that there is nothing in the Standing Orders on the matter, but this is really a matter of courtesy and, as he knows, I am in favour of unfailing courtesy. I do not think that I can rule beyond that, but if he feels that there has been a breach of that dictum, I dare say that he will want to pursue it with the people whom he thinks are guilty of the breach. He can always keep me notified; I have a sense that he will probably do that anyway.

Backbench Business

[9TH ALLOTTED DAY]

Immigration

12.34 pm

Mr Frank Field (Birkenhead) (Lab): I beg to move,

That this House calls on Her Majesty's Government to act on the overwhelming public concern about the present scale of immigration by taking firm measures to reduce immigration without excluding those individuals who are genuinely essential to economic recovery, on which so much else depends.

It is with pleasure that I move the motion tabled in my name and that of my hon. Friend the Member for Mid Sussex (Nicholas Soames)—*[Interruption.]* I will move so that my hon. Friends can continue their conversation by themselves, Mr Speaker. I apologise for the absence of my hon. Friend the Member for Mid Sussex, but I think that he informed Front Benchers that he is attending a family funeral in Scotland today. The good news is that I am able to thank my hon. Friend the Member for North East Derbyshire (Natascha Engel)—who is in her place as usual, gracing this place as she does the Backbench Business Committee—and her colleagues for choosing this debate today.

I shall briefly say something about the cross-party group on balanced migration before I outline some of the themes I would like to touch on in the debate. My hon. Friend the Member for Mid Sussex established the group in September 2008, with the clear intent of bringing into the House the debate on immigration that was going on in the country at large, but to which the House wished to appear deaf, to a large extent. We already have a number of distinguished supporters across Parliament, including a former Speaker, Lady Boothroyd, a former Archbishop of Canterbury, a former Leader of the Opposition, a former field marshal and several former Cabinet members. Perhaps more importantly, there is growing support in this House and the other Chamber for a clear and dispassionate discussion of this issue. Above all, we have the support of the electorate, who have been unfailing in their wish that immigration be debated carefully and without rancour in this Chamber.

When we first established the cross-party group, I was, needless to say, accused of being racist in wanting to raise the topic. It is therefore with pleasure that I put on record the fact that two previous Home Secretaries—my right hon. Friend the Member for Sheffield, Brightside and Hillsborough (Mr Blunkett) and my noble Friend Lord Reid—stamped on that absurd suggestion and welcomed a more rational debate in this place and beyond the walls of this Chamber.

I shall briefly summarise the group's aims. They are to stop the population of this country being grown by immigration, and, secondly, to support the forces within the House and, now, the Government to move towards a balance between the number of people coming into the country and the number of people leaving it. Thirdly, given the concern about people coming here to work and about population growth, we would like the Government seriously to consider breaking the link between people coming here to work and almost automatically getting the right to citizenship. That is largely the route by which the population is being

[Mr Frank Field]

grown at present. If the Government were to take that action, they would certainly convince the electorate that they were delivering the coalition's pledge. They might also get a bit more breathing space in which to find effective ways of reducing the numbers wishing to come here to work.

The themes that I want to touch on include the progress that has been made in recent years on this topic. I also want to look at some of the special pleading that has been going on, and I shall cite the position of the Mayor of London in that regard. I want to look at the immediate steps that the Government could further take to reduce the numbers coming here to work, at a time when we have not a rising but a very significant number of constituents who are unemployed.

I also want to broaden the debate by saying that, in the longer run, we cannot make sense of addressing the question of reducing the numbers coming here to work unless we are prepared to link that debate with the debates on welfare reform and education.

Finally, I want to touch on the electorate's anxiety about this whole area and to voice their views about the nature of place and national identity, which they might well want to change but until recently they have had no ability to influence the debate.

Let me provide a progress report on how the debate is changing. Indeed, the Backbench Business Committee granting this day's debate is itself a sign of that change. No Member will have memories of this issue being debated on the Floor of the House. We would have to go back to past Members, long since dead, to find people who participated in such a debate. Of course, we have had debates in Westminster Hall, but not in the main Chamber, where the principal debates take place. Today's debate provides a really good sign of how the political climate is changing. We are grateful to my hon. Friend the Member for North East Derbyshire, who chairs the Backbench Business Committee, for this opportunity.

Pete Wishart (Perth and North Perthshire) (SNP): I congratulate the right hon. Gentleman on securing this debate and on raising the issue sensitively and responsibly. I would like to challenge one of the assertions in his opening comments—the idea that this nation's population is rising. Scotland is experiencing structural depopulation, and I would like him to acknowledge that. If he does, does he not think the best way to address it would be to give some of the UK nations the devolution of these powers, as in Australia, so that we can address the demographic issues of our population?

Mr Field: I was too good-mannered to touch on that topic. We have open borders in this country, so it is interesting to note that those coming here largely to work do not wish to go to Scotland. We may grieve that fact, but it is an open market and people seem to be expressing a preference. We may deplore it, and if one were a resident in London, one might wish that many coming here to work took a different view. The plain fact is that they do not, and I cannot believe that changing the devolution settlement would affect the balance of immigration between the constituent countries of the UK.

Pete Wishart: It happens in Australia—a nation where immigration powers have been devolved to the individual states to address the very issues that we have in Scotland. Surely if it works in Australia, it could work in the UK. The right hon. Gentleman is quite right that people do not choose to go to Scotland, so let us give them extra points in the points-based system to encourage them to think about coming to Scotland. There are solutions, so surely we should acknowledge them and try to implement them. *[Interruption.]*

Mr Field: My right hon. Friend the Member for Leicester East (Keith Vaz), who chairs the Home Affairs Select Committee, laughed, as I did, at that suggestion, but I think it is a rather good one. I shall touch on the Migration Advisory Committee report later. The Government might wish to refer to it; it would solve some of our difficulties. It is an intriguing idea and I hope that it will be developed in the debate.

We were talking about how the debate has changed. Perhaps the best way of showing that is to look at the stance of the Institute for Public Policy Research. In the past, no organisation was more adamant that we should have open borders and less prepared to consider the downside of such a policy. It is very significant that, this week, the IPPR has moved into the mainstream of the debate by saying that this country benefits from immigration—I doubt whether anyone would wish to express a contrary view in this House, which is important on account of our teaching role in the country at large—but that the debate is about the numbers, not about the principle.

Keith Vaz (Leicester East) (Lab): My right hon. Friend is absolutely right that during my 23 years in this House and during his time here, there has been a shift in the tone of the debate. There is agreement that immigration has to be controlled, but can we be clear that we are talking about non-EU immigration? Does he accept that we cannot do anything about 80% of the people who come into this country?

Mr Field: A number of hon. Members might wish to catch your eye, Mr Deputy Speaker, to dispute that fact. Just as some might wish to stretch your tolerance, Mr. Deputy Speaker, by going down the road of the devolution settlement, others might want to open up the issue of the European settlement. The numbers coming here to work from the European Union represent a minority. I do not dispute the fact that this is an important issue, but it is not one of the dimension my right hon. Friend describes. I see in his place the hon. Member for Canterbury (Mr Brazier), who might want to deal with the issue later.

Mr Edward Leigh (Gainsborough) (Con): Before ending his speech, will the right hon. Gentleman deal with arranged marriages? Does he agree that people who want to marry and settle here must do so on the basis that they are of mature years, that they speak English and that they want to marry an English person because of a settled romantic attachment, not as a pawn in marriage negotiations?

Mr Field: I wish that the hon. Gentleman had put the full stop a little earlier in his intervention. I do not think it is for the Government to lay down the emotional or

other circumstances in which people should marry. Given the success rate of marriages based on emotion, I do not think this country is in any position to lay down the rule that arranged marriages are a bad thing! I have not seen the figures, but I doubt whether we come off better in that respect. I will touch on the point later, as it is one area where I hope the Government will give us more idea about what they are thinking.

Mr Virendra Sharma (Ealing, Southall) (Lab): I disagree with the hon. Member for Gainsborough (Mr Leigh). I came to this country 42 years ago for an arranged marriage. I am still married to the same lady and still have my children, who are contributing to this country's welfare.

Mr Field: I could not agree more. That is a valuable intervention. I would hope that in those 40-odd years, the sense of the community has developed. Although I think we should not put our sticky fingers into issues such as whether arranged marriages are suitable, quite a large number of people here are, in a sense, in the arranged marriage market. Much of the tension might dissipate if there were more arranged marriages from communities in this country rather than between people brought in from the Indian sub-continent. Unless those people have the ability to speak English, they might find that they are not treated in this country as we would wish them to be treated.

Dr Julian Lewis (New Forest East) (Con): I always listen to the right hon. Gentleman with the greatest respect. I understand that he has concentrated his remarks on the factor of numbers, but will he also say something about the attitudes of the people who come into this country in the hope of finding a better life? My grandparents were immigrants and wanted to come here because they preferred life as they imagined it here and wanted to be part of this country. Is not the real problem not so much one of numbers, but of people coming here who do not like and might even hate the methods we have of governing ourselves and living in this country? What can we do about that?

Mr Field: The issue is about numbers and I do not want people to move away from it, because that is where the growing sense of agreement across the Chamber and in the country at large now lies. I would have put the intervention the other way round, if I had dared to make it. I would have asked why this country has had a political elite that has paid so little attention to our open borders for so long that they did not think it suitable to suggest that people coming here should develop a primary sense of loyalty to this country. I do not think we are in any position to moan when we were so careless that we did not have the confidence to lay down what citizenship in this country was about. I am against anyone trying to turn the debate against those who came here under those conditions by saying that we do not approve of their behaviour. Not only new arrivals but others, including many people in my constituency, feel disaffected, and of course we need to find ways of affirming their citizenship.

Dr Lewis: I will not try the House's patience for too long, but I must tell the right hon. Gentleman, with respect, that I cannot quite accept what he has said. It is not necessarily the responsibility of the receiving country to lay down in advance something as basic as the fact that someone who moves to a country must have some respect and regard for the norms, customs and standards of that country. People who come here knowing what this country is like, and then proceed to dislike it and try to undermine its ways, have a degree of responsibility themselves. It cannot all be put down to the conditions on which they were admitted.

Mr Field: The hon. Gentleman changed his line during his intervention. He ended his intervention by saying that such people could not be wholly responsible, whereas he said at the beginning that they were wholly responsible. I do not think that we should duck the political failure of this place and of successive Governments who have not had their wits about them, and have not recognised that a country is in a new ballgame when it opens its doors to mass immigration. We were negligent, and that applies to both sides of the House of Commons.

Let me emphasise that I do not want the debate to turn against people on whom we placed no duties when they came here. We did not bother to teach the meaning of citizenship to people who have been based here for generations, including many in my constituency. The hon. Gentleman has touched on what is, in fact, a much wider question.

Mr Julian Brazier (Canterbury) (Con): Will the right hon. Gentleman give way?

Mr Field: I fear that interventions may take up the entire time allotted for the debate, but I am happy to give way to the hon. Gentleman.

Mr Brazier: I am sorry, but I am so filled with admiration for the right hon. Gentleman that, while endorsing what he has said, I would go a little further. Surely the key point is that the political elite across the board had lost confidence in the very British institutions that we should have been supporting and identifying as beacons for newcomers to the country.

Mr Field: I think it is worse than that. I think that those people had lost confidence in their role as politicians. They had lost sight of the fact that the issue was one that should be dealt with, and ideas about national identity, citizenship and protecting the country fell away from what should have been their main charge.

As you may remember, Mr Deputy Speaker, about 10 minutes ago I was talking about the progress that had been made. The fact that we can now raise points such as this in a friendly way without disputing others' motives is a sign of the extent to which we, as a group of parliamentarians, have progressed. As for the progress being made in the public debate, let us consider some of the public statements that have been made since the Government announced a temporary cap on the number of people coming here to work. In its submission to the Government, the City of London said that the Government had every right to pursue their policy, but expressed concern about the way in which it might work in practice. The City certainly does not think that the Government should not discuss this topic, or that they should ignore what the electorate were saying during the election, but it would like to enter into detailed conversations.

[Mr Frank Field]

We have all recently experienced what our electorates think, and none of us enters the Chamber now without being fully aware of the way in which voters in each of our constituencies view the issue of immigration.

Julian Smith (Skipton and Ripon) (Con): I refer the House to my declaration in the Register of Members' Financial Interests.

Does the right hon. Gentleman agree that the City of London and other global businesses feel some concern about the way in which the policy is applied? Will he say a little about that? While we agree with the moves that he has been sponsoring, we need to ensure that British business is globally competitive.

Mr Field: I am immensely grateful for that intervention. Although I intended to stress that point, I did not wish to labour it. I do not think that there is any disagreement between Members, who, while seeing the advantages of immigration, consider that the argument is essentially about numbers, but who do not wish to control those numbers in a way that would harm any economic recovery. If I ever manage to make progress, I shall say more about that.

I think that the electorate managed to convey to us during the three or so weeks of the general election campaign that their concern extended beyond that which had previously been expressed in the House. In their view, the numbers debate was about the growth of population. We see that all around us. According to the most recent data from the Government, 25% of all babies—50% in London—are now born to women who were not themselves born here. There are regular reports of overcrowding in maternity units. In a number of areas, there is real pressure on many primary schools. At a time when our waiting list for housing is growing, 40% of new households consist of immigrants.

As the hon. Member for Skipton and Ripon (Julian Smith) just said, we must not shoot ourselves in the foot, or, even worse, in the head, by calling for further controls and restrictions that would result in an impairment of the necessary recovery on which many of our constituents depend. The Mayor of London is always the most interesting of political characters in the country, but in this context he has held a position, changed his position, and then changed it again. I hope that he will shortly change it for the fourth time, and take a more rounded view of the issue.

The statement issued by the Mayor for today's debate has three misleading comments—I will not call them longitudinal inexactitudes. First, it is not true that the figure for the number of people coming here last year would suit the Government's cap. The 2009 figure for net migration is 196,000. If that is a cap, it may be one that the Mayor of London wishes to wear, but it is not one that I would encourage the Government to wear.

Secondly, the Mayor said that if we restrict immigration, there is a danger that our gross national product will fall. That is based on years when the economy was thriving and growing at a record rate. It is impossible to interpret past data in that way when a huge number of our constituents are unemployed—not long-term unemployed but recently unemployed, and anxious to return to work. Any restriction in the numbers might well help them rather than impeding the growth of GDP.

Thirdly, it is wrong to say that 80% of students leave within five years. It is true that 80% are lost in the system within five years, but we have absolutely no idea whether they leave or not.

The Government recently asked the Migration Advisory Committee to report both on the cap and on how, in the longer term, they could best achieve their goal of reducing the net migration figure, which currently stands at hundreds of thousands, to tens of thousands. It is with pleasure that I record my gratitude—as, I am sure, will other speakers—to David Metcalf, whom I knew long before I came to the House of Commons, for the distinguished and intelligent way in which he has chaired the committee, and for his willingness to engage in debate. I know that he has appeared before the Committee chaired by my right hon. Friend the Member for Leicester East, but his door is open to others who wish to talk to him about this issue.

The report published by the MAC just before we began our debate is helpful. David Metcalf says that the Government are proceeding in the right direction, and suggests that the reduction should be split—20% among those coming here to work and 80% among non-economic migrants. I think we should debate that. We might ask, for instance, whether we should increase the proportion of non-economic migrants within the cap. He did not say—because he did not have the authority to do so—how important it is to take the heat out of the debate. Perhaps we can move the debate on, by being more relaxed about people coming here to work while also being more concerned about that becoming a route which automatically leads to citizenship.

In the spirit of a constructive debate, may I suggest four ways in which the Government might seek to meet their coalition pledge to reduce net migration significantly? First, I do not see how the Government can make sense of this debate—on which they have, thank goodness, now embarked—unless they look at student numbers. To June this year, those numbers are up 26% on last year, at 362,000. When I make the plea for the Government to look at this area, I am not talking about what most of us would regard as universities. I am asking the Government to focus on what are clearly bogus colleges that have realised that they can sell courses by implying, "Entry to the UK, and from here you can disappear into the UK labour market."

Fiona Mactaggart (Slough) (Lab): Does my right hon. Friend accept that many of the people who enrol on those courses do so in the belief that they are signing up for a proper education? Does he agree that they are victims of exploitation by these colleges, rather than people trying to suborn our immigration system?

Mr Field: I would rephrase that slightly. My hon. Friend makes the absolutely valid point that large numbers of people who want to get on in their lives come here and believe the prospectuses of such colleges, but my worry is that increasingly the news has gone round the traps, so to speak, that such courses are one way in—a bogus route. That is deeply cruel to those who have paid

to enrol because they wish to build a more constructive life for themselves by getting an education; I could not agree more about that.

Robert Halfon (Harlow) (Con): I congratulate the right hon. Gentleman on securing this important debate. Following on from the previous intervention, I personally know someone who went to one of these English language schools with the intention of getting a proper grounding in the English language, but when she wanted her certificate, she was threatened—unless she gave extra money she would not get her certificate. That institution had all the qualification documents hanging on the wall saying that it was regulated and licensed by the Home Office, so is the real issue not how these organisations are licensed and regulated?

Mr Field: May I cap that helpful intervention? In order to satisfy the Home Office, constituents of mine wished to pay more, because all they wanted were the certificates for the courses they had undertaken. I hope the Minister will comment on this issue, if not today then on another occasion. I share the concern expressed by my hon. Friend the Member for Slough (Fiona Mactaggart). The last two constituents who came to me about this point had paid the full sum and were willing to shovel out even more money, but the wretched college would not produce certificates of the relevant qualifications.

Secondly, I hope that the Government will look at tier 1. Under the existing points system, people can come here and look for work—I assume the details of the MAC report will not suggest otherwise. That they can do so is totally unsatisfactory given our current unemployment level, and I would like the Government to close that route immediately.

I also want the Government to look at intra-company transfers. The Prime Minister has recently been making statements on this issue. May I delicately suggest that he could dig himself out of the hole he has dug himself into by raising the sum of money required for a person on an intra-company transfer from the low £20,000s to about £50,000? That would sort out the problem of those who are using such transfers as a way of importing IT workers. It would also offer some hope to those of our constituents who are unemployed IT workers and who would love the chance to bid for some of those jobs.

I also hope the Government will close the post-study route. Those who come to this country to study for degrees are given two years after graduation to search for work. That is wonderful if the economy is booming and there are difficulties in recruiting people to posts, but we now have an unemployment rate among recent graduates of 9% or 10%. It seems totally appropriate that at this time—not for ever—that route should be closed. In reading for the debate, I was shocked to discover that 600 institutions in this country award degrees. That is a highly significant route into the British labour market.

The hon. Member for Gainsborough (Mr Leigh) made the point that the Government need to look at the marriage route. I do not in any way want to clamp down on genuine marriages, but if we implement the English test and other measures effectively we will find that the numbers presenting themselves to immigrate will fall substantially.

Fiona Mactaggart: Will my right hon. Friend support my campaign to ensure that education in the English language is available in the places from which spouses come? The current proposals are unfair, particularly on women on the Indian subcontinent who are unable to get access to good-quality English language teaching and are therefore doomed to fail the test.

Mr Field: I have never underestimated the entrepreneurial skills on the subcontinent, and I am disappointed to hear my hon. Friend report back in those terms. When I crossed swords on this matter with the Chairman of the Home Affairs Committee, my right hon. Friend the Member for Leicester East, I thought that in no time English language schools would be established to ensure that people could speak English before arriving. It is very important that that rule is maintained, and I hope the Government will look at the point I have raised.

Mr Leigh: People are terrified about speaking out on this very sensitive issue, but it is not widely appreciated that it is better for the bride or groom in an arranged marriage not to be brought from the Indian subcontinent but to come from the community in this country, as that makes learning the language and overcoming cultural differences much less difficult.

Mr Field: Yes, I made that point earlier.

Mr Virendra Sharma: A person who understands how arranged marriages are organised would not raise these questions. Does my right hon. Friend have any figures for the rate of unsuccessful arranged marriages, and what evidence does he have that bogus marriages are taking place in this country?

Mr Field: I do not have figures on that and, as my hon. Friend knows, that is a difficult set of data to get hold of, because those who have come here in an arranged marriage and who cannot speak English will find it difficult to register the fact that they might not be happy with the arrangements that they find here.

In no way do I want to give the impression that the way marriages have commonly been governed in this country comes down from Mount Sinai and is a proven recipe for success. We have only to look at the figures to see that that is not so. We ought to have a little charity when viewing other forms of contract which might well have equal, if not better, rates of success than our own established institutions.

Finally on this area of debate, I want to stress how important it is that the Government address where the electorate are on the issue. In their mind's eye, they see people coming here to work then automatically getting the right to citizenship. That is the factor which is growing our population and that is the issue that people wish the Government to deal with. The more effectively they do so, the less heat there will be in the number of arrivals in any one year.

I wish to discuss two final things. First, and importantly, we cannot make sense of this debate without thinking about the programmes of Governments past and current on welfare reform and education. Under the stewardship of the previous Government, whom I was proud to support, more than 3 million jobs were created, largely in the private sector, but also in the public sector. Yet

[Mr Frank Field]

the number of men and women of working age claiming benefit during that period, when there was record growth in the economy and jobs, fell from 5.6 million to 5.2 million. So there was clearly a dysfunction between what we said we wanted to do on welfare reform and ensuring that those who benefited from those programmes were actually available for work.

Let us examine the latest figures. I know that the Government might say that they have been elected only recently and thus want to wash their hands of this, but they will not be able to continue to do that. The latest data show that we have had 126,000 new workers and the number of immigrant workers in this country now stands at 3.8 million, which is a record level. That has occurred while the number of British workers in work has fallen by 180,000. Clearly there is something wrong with our education system if we are still producing a large number of people who do not aspire or cannot aspire to the jobs that are so willingly taken by immigrants, who teach many of the host community what we used to mean by "the work ethic". This is a chilling reminder. It is important for the Government not only to respond today on the numbers front, in which we are all interested, but to see the issue in the much wider context of welfare and educational reform.

We should rejoice in this debate, the nature of it and the number who wish to participate in it. However, until recently most of our electorate felt that we let them down and that an extraordinary change had been occurring in this country over the past 15 years. We had an open borders policy and a large number of people came into our community without our laying down any conditions about how they should perform and what sort of citizens they should be. That is why I am so anxious that nobody uses this debate to clobber people who came here, found that we were not terribly interested in how they got on in their lives and just conducted their lives as they wished, nobody having told them otherwise. There was a growing sense among people who felt part of this country, perhaps over some generations and not many, that the place they thought they were joining or growing up in was changing in a way that disturbed them. That sense of disturbance could have been put to one side had we had a debate.

However, what really galls my constituents is that something so fundamental as an open borders policy was conducted without any consultation of those on the receiving end: my constituents, those of my hon. Friends and those of Government Members. I am pleased that we are now able to have a rational debate and that all the interventions have been technical ones; none has disputed motives, as in previous attempts to conduct a debate. The debate has moved from one about principle—whether we oppose or wish to continue open borders—to one in which we all agree that it is about numbers and the rate of immigration. For that, I can say on behalf of my constituency, thank God.

1.15 pm

Mr Julian Brazier (Canterbury) (Con): It is a huge pleasure and an honour to follow the right hon. Member for Birkenhead (Mr Field). May I start with a word of tribute to him and to my hon. Friend the Member for Mid Sussex (Nicholas Soames), who sadly is at a family funeral and very much regrets being unable to be with us? The way in which they have taken this issue of huge concern to people up and down the country, including many who are themselves of immigrant stock, detoxified it, moved us away from the old debates of the past and brought the real concerns of millions of ordinary people into this Chamber and the public domain cannot be commended too highly.

So many immigrants have made such a huge contribution to British life, economically as well as socially. Examples abound: the impact on manufacturing and culture of the influx of Huguenots, which was largely in response to the horrid repression under the Louis in the 17th century; the contribution of Jewish immigrants to banking and the rise of the supermarkets; and, post-war, the last-ditch rescue and transformation of so many small community shops, including my local village shop, by Indian families—it was just about to go bust, but is now a thriving venture.

Most debates have all too often focused on matters relating to assimilation. There are some issues to be raised in that regard but, like the right hon. Gentleman, I wish to focus almost exclusively on issues associated with numbers. Before doing so, I wish to make two wider points. The first is that I am extremely proud that my grandfather served in the Indian army. He did so in the first world war, but it is worth remembering that in the second world war, under the British Crown, the largest volunteer army in the history of mankind assembled, fought against the unspeakable evil of the Japanese army and prevented it from repeating the massacres of millions of people that had occurred in neighbouring China. This volunteer army was an organisation that brought together people from a wide range of ethnic groups and religions, and that has some lessons for us in terms of the importance of institutions and so on.

My second observation is that much of the current debate on immigration is poisoned by the fact that we have a legal culture in our courts which makes it very difficult to deport the small number of people who come here and grossly abuse the system. Every time a judge produces a fatuous ruling—I am not going to get into whether that is the fault of the judge or of the human rights legislation; it is a combination of both—that enables somebody who clearly should be deported to stay in this country, it builds up the far right, the extremists, and helps to build the tensions that it is so important for this country to move away from.

I wish to focus on four key issues relating to numbers and population density: the impact on our green footprint; the impact on housing; the impact on employment; and, finally, universities and English language schools. On the first, when I was the Opposition spokesman on aviation and shipping, I discovered a set of facts that, as far as I know, have not been in the public domain and which left me staggered. The right hon. Gentleman focused, as I shall for most of my speech, on net immigration, but this is a problem not only with immigration, but with emigration. By far the fastest growing category of flights in this country was not business flights, which had peaked when the recession came as socially conscious businesses moved towards video conferencing and so on, or holiday flights, which were still increasing, although not very quickly. The vast majority of the growth in aviation over the few years leading up to the recession was in a third category—

the so-called visits to family and friends. The truth is that every time an individual moves here from a distant part of the world, or a British citizen leaves this country to go to all-too-often distant parts of the world, it creates a huge number of flights between family members.

In the last year for which I have seen figures, 32% of all flights from Heathrow reunited families and friends. It was a case of relatives visiting people who had come here, in almost all cases, completely legitimately, and those people living here visiting residents of the countries from which they originated, or of indigenous British people going off to visit granny in Sydney, for instance. We must recognise that the churn of population and the huge turnovers in it are having a huge effect on the growth of aviation. That factor has been left out of the debate.

Mr Virendra Sharma: Is the hon. Gentleman advocating that there should be no migration, no travelling and that people should not move from one place to another?

Mr Brazier: I have huge respect for the hon. Gentleman's reputation. He was an active member of the Select Committee on Home Affairs for a long time and participated in a couple of interesting reports on this subject. He knows, of course, that that is not what I am recommending. Like the right hon. Member for Birkenhead, I am trying to say that numbers are critical. The heavy rates of churn that have taken place between countries over the past few years are among the key drivers in greenhouse emissions, but they are also a factor that has notably been left out of this debate.

Mr Sharma: I just want to correct the hon. Gentleman. I am neither a member of nor the Chair of the Home Affairs Committee—that is my right hon. Friend the Member for Leicester East (Keith Vaz).

Mr Brazier: I believed that the hon. Gentleman was a member of the Committee and I apologise if I am incorrect. I have certainly heard him talk sense on this subject in the past.

Fiona Mactaggart: I have a brother and a sister, both of whom have migrated to America, and I am rather concerned. When the hon. Gentleman says it is about numbers, whose brother and sister should not be allowed to travel? That is what the question boils down to when we say it is about numbers. Whose relatives are to be debarred from engaging in family visits if we are trying to reduce the carbon footprint of migration?

Mr Deputy Speaker (Mr Nigel Evans): Order. I think we are straying off the debate somewhat, into climate change and aviation. The debate is on immigration, so perhaps we can focus on that.

Mr Brazier: Indeed I shall, Mr Deputy Speaker. Let me make a general point, if I may. When we discuss immigration and the pressures that it creates on housing, nobody is suggesting that any immigrant should be denied the right to buy or rent a house. When we discuss the pressure on jobs, we do not mean that anybody legitimately coming into this country should be refused such opportunities. The point we are trying to make is that large movements of people create pressures on all those areas. I am simply making the point that the green footprint is one factor that we must take into account in deciding what level of immigration we allow into this country.

Let me move to a second such factor, which is housing. The right hon. Member for Birkenhead observed that it is estimated that approximately 40% of housing need in this country is accounted for by net immigration. In fact, eight years ago the Joseph Rowntree Foundation estimated that Britain would need 4 million new houses by 2022. If we rework the calculations based on how the numbers have moved on since then, we can see that that was almost certainly a substantial underestimate. In an area such as mine, where there are extreme housing shortages, that should give us all pause for thought.

Forty per cent. of housing need is accounted for by net immigration, but we easily forget that one of the most common reasons given by people for leaving this country—it is second or third in most of the recent surveys—is that they feel that it is overcrowded. In many cases, they want to move to places that are less congested. Ironically, even by balancing the numbers we are keeping up levels of pressure that are already felt.

The problem in a county such as Kent is not just that we have a large number of people on housing waiting lists. The need for more housing has a range of pernicious side effects. Almost 90% of all the land in Kent that is either not grade 1 agricultural land or protected as an area of outstanding natural beauty now lies on floodplains, and we are also short of water. In fact, as one engineer pointed out to me the other day, the new building work in east Kent, particularly around Ashford—much of which has been built on floodplains—has managed simultaneously to add substantially to the flooding risks in winter, and many hundreds of my constituents have had their housing wrecked by flooding, and to contribute to shortages of water in summer in a county that has had repeated hosepipe bans over the past 10 years.

Pete Wishart: In Scotland we are facing for the first time in 100 years the prospect of our population falling below the iconic 5 million mark. Surely we require international solutions throughout the UK as well as regional solutions, or we will all experience difficult problems.

Mr Brazier: I heard the hon. Gentleman's intervention on the right hon. Member for Birkenhead and I do not want to go too far down that route, but I do not believe that it is practical. I know that the Australians have done it, and the hon. Gentleman made that point vigorously. I am familiar with the Australian system, but there are two big differences between the six states that make up Australia and the four nations that make up Britain. The first difference is that the entities in Australia are very large and the population centres—most of the population of each of the six states lives in one part of that state, except in Queensland—are a very long way apart, so it is easier to see that people are fulfilling their obligations. The second key difference between Australia and Britain is that Australia has a legal system that works, so if people break the rules, they get deported, but we do not. Trying to provide people with permission to come as long as they settle in Scotland is not practical. I hope that the hon. Gentleman will forgive me if I do not go further down that route.

[Mr Brazier]

Although the cost of housing has come back a little from its recent gross peak, it is still very expensive compared with housing in the majority of other countries, especially for first-time buyers. The primary effect of unaffordable housing is that vast numbers of young families either cannot get housing or work very long hours to pay their mortgages. Even nine years ago—the situation has worsened since then—a huge one-off survey by the OECD discovered some very sad facts about Britain. Some 63% of UK families thought that they only just managed on their household incomes and a higher proportion of Britons than inhabitants of any other major EU nation felt that they had to work more hours than was good for their family life.

Apart from a couple of small countries, we have almost the highest proportion of working mothers in the world. Of course mothers should be able to work—my wife worked when she was a mother—but mothers, including some who work as staff in the House of Commons, are being driven into working much longer hours than they necessarily want to when their children are small because they are paying mortgages for overpriced houses in an overcrowded country.

Along with housing, other relevant issues include health care, social housing and the cost of providing infrastructure. I have mentioned water shortages in Kent; huge costs are associated with the next dam that we are going to need. Those things all cost money and all have to be brought into the balance when we decide whether we want a population of 70 million in a generation's time.

The third area that I want to discuss is employment. Let me reassure hon. Members that I do not suggest that anyone who is here legitimately, whether as a successful asylum seeker or through a legitimate marriage, should ever be disadvantaged in the job market. I do not suggest there should be discrimination, but we must do what the right hon. Gentleman did in his speech and examine the impact of allowing heavy net immigration, as has happened in the past few years, on the employment of our population. That immigration has not been overwhelmingly from Europe: in the past decade, about two thirds has been from outside Europe.

Interestingly, the employment of UK-born people averaged about 64% in the latest figures available, having fallen by half a per cent. The corresponding employment rate is slightly higher for non-UK-born people at 66.5%, so the right hon. Gentleman's point about many of the incoming groups teaching us a lesson about the work ethic is true. However, that is not the whole story: we have one of the highest rates of workless households in the developed world. Nearly 4.8 million people of working age are not working and 1.9 million children are living in households in which no one works, many of them households in which no one has ever worked.

Government figures show that 1.4 million people in the UK have been on out-of-work benefits for nine or more of the past 10 years. As John Hutton said in 2006, when he was the Work and Pensions Secretary,

"if people have been on incapacity benefit for more than two years, they are more likely to retire or to die than ever to get another job." [*Official Report*, 24 January 2006; Vol. 441, c. 1305.]

It has already been observed but is worth repeating that, although the previous Government can take credit for creating more than 2 million jobs, almost three quarters of those were accounted for by people coming from outside the country. The previous Government effectively had a policy of replacement migration. I am a huge admirer and supporter of my right hon. Friend the Secretary of State for Work and Pension's shake-up of the welfare system, but, as he has hinted in his speeches, it can work only with diligent application of the Government's plans on immigration, because if large numbers of people are encouraged to get back into the work force—there are some expensive carrots as well as sticks in that regard—they will not have a great deal of luck, as we pull very slowly out of a very difficult recession, if there is a steady stream of young economic migrants to take their place. We cannot do anything about people coming from eastern Europe, but we can do something about those coming from other parts of the world.

The fourth issue I want to address is the student system. I am very proud to represent the largest number of students in any constituency. I have two excellent universities in my patch and a number of highly valued English language schools that act as feeders to those universities and others. However, we must recognise that the problems in the student system that the right hon. Gentleman hinted at are very real. Unlike him, I do not believe that they are confined to a number of bogus colleges, but it is good that the Government are clamping down on them.

I know two people who regularly go to other parts of the world to market their organisations, both of which are legitimate—a Russell group university and an English language school with a very good record in the field—and they both say that the first thing they are asked in many countries is, "Once you get a foot in the door, can you stay?" All too often, people from even the most respectable institutions are tempted to say, "Well, yes, in practice, that almost always follows if that is what you want." As the universities come under pressure, with the new funding regime starting in 2012, the temptation for those organisations, particularly those that are struggling economically and cannot fill their books, to take people who can pay the money but do not necessarily have the right academic qualifications will be huge. As the right hon. Gentleman pointed out, the largest single route for entry into this country is the student system.

We have to strike a balance, but that will be difficult. It is essential that the best lecturers have the opportunity to come if they want to spend part of their career here and we must have a system in which the brightest and best students see Britain as a place to come. That will be good not only for the countries they come from and the universities that receive them: a key third benefit is that, a generation on, Britain will have friends, potentially in high places. In striking the balance, we have to make sure that perfectly legitimate organisations at the lower end of the economic scale do not pad their numbers out with people who are willing to pay a year's fees up front and then disappear into the system.

I conclude by drawing attention to an absolutely extraordinary hole in the immigration system that came to my attention at my constituency surgery on Saturday. My constituent, Mr Spence, is happy for me to share his experience with the House. He had a suitcase containing all his personal documents stolen. He has never had a passport, but it included his birth certificate. He was born in Rutland and he was told that to get another

birth certificate from Rutland county council, he needed to fill in a form online and send a cheque for £9. He asked what verification was needed and was assured that there was none. Let me inform the House that Government guidelines to anyone applying for a job—I have seen a string of these from various organisations—say that someone who has either a passport or a birth certificate and a letter from a Department, which could be anything and does not require any identity checks, can come into this country.

Robert Halfon: Is my hon. Friend aware that the great author, Mr Frederick Forsyth, identified this problem a long time ago in his book "The Day of the Jackal"?

Mr Brazier: I am grateful to my hon. Friend. I was wholly unaware of that and must reread the book.

Mr Spence's story gets better—or worse if one is being serious about it. When he was five, his mother remarried and changed his name by deed poll. He contacted Rutland council and said, "There is just one problem: I need to change my details because my name was changed a long time ago." "Ah," said the council, "That is no problem." He had only to fill in another online form and send a cheque for £40 for it all to be fixed.

Unlike the right hon. Member for Birkenhead, I am not going to end with a shopping list of firm recommendations, although I have hinted at a number already. I simply end by observing that we cannot continue to have an open-door policy. I welcome the steps that the incoming coalition Government have already taken, but I firmly believe that they must go further, as we have inherited a system that certainly is not fit for purpose. I congratulate the co-sponsors of the motion and the Backbench Business Committee for giving us the opportunity to discuss this subject.

1.39 pm

Mark Tami (Alyn and Deeside) (Lab): I shall briefly address two issues, tier 1 workers and intra-company transfers, and following your guidance, Mr Deputy Speaker, will give climate change and air travel a wide berth.

It is already clear that the Government's cap, as originally formulated, does not fit, and once again a headline-grabbing policy that went down very well with the tabloid press has turned out to be far from straightforward. As many Governments have found in the past and will no doubt find in the future, ill-thought-out policies have a habit of unravelling, and the cap is a perfect example. To be fair, some members of the Government, in particular the Secretary of State for Business, Innovation and Skills, made it clear some time ago that the cap would be unworkable and dangerous to business in its original form. He said:

"A lot of damage is being done to British industry"

and the quota was wrongly fixed.

Unfortunately, those warnings went unheeded, and only yesterday—at the eleventh hour—did the Prime Minister lay the ground for a muddled retreat. How far that retreat will go remains unclear, but recent announcements suggest that some areas are finally being looked at. The problem is that the Government just do not want to admit that their policy is wrong, and badly wrong. I am sure that many hon. Members will have been lobbied by local businesses that are concerned about how the policy—in respect of tier 1 workers, in particular—will impact on them.

The popular press would like us to believe that workers who come to the UK are largely unskilled and easily replaceable with unemployed UK workers—presumably ending unemployment overnight. If only the situation were so straightforward, because the truth is very different. Tier 1 workers, in particular, are important, highly skilled individuals who are key to the well-being and growth of many businesses.

Many employers tell me that, despite advertising vacancies nationally as well as locally, they are unable to recruit people with the required skills. Indeed, in some cases, despite advertising nationally, they have not received any applications at all. I shall cite one example that illustrates the issue perfectly. Comtek is a high-end, knowledge-based company located on Deeside, and Mr Sheibani, who owns the company, wrote to me saying that he has found it impossible to recruit well-trained, qualified and skilled engineers. He said:

"We have been trying very hard to recruit engineers locally and from other parts of the UK. The vast majority of highly skilled people are reluctant to relocate. In July and September this year we did a presentation to 20 skilled telecoms engineers in Belfast who were about to be made redundant from their jobs. We offered all of them employment in Deeside with exactly the same salary as they were getting from their bankrupt employer plus free accommodation. None of them were prepared to move."

He went on:

"In contrast Tier One skilled workers are very mobile and prepared to relocate, they are resourceful and enthusiastic".

But Mr Sheibani's key point was that

"for every tier 1 engineer we recruit we employ four trainee technicians or apprentices from the locality."

He has made it very clear that, if he were unable to recruit those tier 1 workers, he would be unable to expand his business in the UK. Comtek's work force has doubled in recent years, and the company pays many millions of pounds into the UK economy, but he would not be able to employ those local apprentices who, after training, attain the required skills.

By chance, just across the road from Comtek is the Toyota engine plant on Deeside. On that site and at Toyota's car assembly plant in Burnaston, Derbyshire, the firm directly employs more than 3,500 people. It invests more than £1.85 billion and exports more than 85% of its production, and I am sure we all want to encourage such companies to grow and invest further in the UK. Toyota uses a small number of ICTs, mainly from Japan, who are vital to technology transfer and the development and implementation of new products.

Andrew Selous (South West Bedfordshire) (Con): Like the hon. Gentleman, we all want this country to accept the brightest and the best, but he has not referred to the fact that 29% of tier 1 entrants have been found to be working in jobs such as pizza deliverers or security guards. Will he comment on where tier 1 has gone wrong?

Mark Tami: I accept the hon. Gentleman's point that, in some aspects, tier 1 has gone wrong, but we should not put the whole thing in the bin and say, "We are going to introduce a blanket ban at some point when we

[Mark Tami]

reach some quota that is made up as we go along." I accept that there are problems, but I am discussing a company that directly employs and pays such workers; they do not come to this country to look for work.

ICTs are not a substitute for trained local employees. In fact, they are quite the reverse, because the vast majority of ICTs are trainers themselves who train local employees. They have helped Toyota to improve the productivity of its UK plants, which have become some of the company's leading plants throughout the world. I am sure that we all applaud that. The ICTs are paid by Toyota; they pay taxes locally and pay money into the local economy; and they have helped to create and maintain many thousands of jobs, as well as to help our export efforts.

I asked a question in Business, Innovation and Skills questions today, because, although I welcome the statement about ICTs, I know there is still a feeling that, given the levels being discussed, the policy is being made up as we go along. We have to clear up the situation as quickly as possible, because many companies are worried about exactly how it will work. Toyota employs 3,500 people in the UK, but throughout the entire business it employs on average only 50 ICTs each year.

I am concerned, because those ICTs are key workers, and if we say to Toyota and other companies, "At some point, you will not be able to site the key workers who do that very important work," we will affect their decisions about whether to invest more money. I accept that it is probably a marginal decision, but if it is a close call, those companies might start to think, "Should we put our money here or somewhere else?" Somewhere else might mean somewhere prepared to make those guarantees.

Andrew Bridgen (North West Leicestershire) (Con): Does the hon. Gentleman agree that the requirement for skilled workers from abroad reflects the failure of the previous Government's education and training policies?

Mark Tami: I am about to move on to training, so if the hon. Gentleman waits a few moments he will hear what I have to say.

There is a concern, because we are introducing extra barriers, which, for international companies, might affect their decision about whether to invest in the UK. I have given examples of two companies with major concerns about the effects of the cap, illustrating the point that, if we apply the cap in a way that greatly concerns business, we could increase rather than reduce UK unemployment. It is simplistic to believe that, if we stop more people from coming in, UK workers will suddenly pick up all those jobs.

As the hon. Gentleman said, that prompts the question: why do we in this country not have the skills we need? The simple answer is: we have failed to train the people to meet our needs. Like the previous Government and the Government before them, the current Government are talking about more apprentices and more training; no doubt future Governments will do the same. The issue is a major problem, and we have not addressed it so far. It is all very well talking about a cap or whatever, but unless we really address the skill base and training need in this country, we will never solve the problem.

Mr Brazier: As the hon. Gentleman knows, the Government are addressing the issue by getting rid of the wasteful Train to Gain schemes, with all their phoney elements, and introducing proper apprenticeships. Does he accept that however hard we work at it, a man or woman in their late 40s or early 50s, who has come out of employment and is looking for a new job, is never going to be as attractive to an employer as a young incomer in their early 20s?

Mark Tami: The point that I am trying to make—and the hon. Gentleman's point, I think—is that we have to address our training needs. Just stopping a person coming in does not address that problem. We still do not have the skill base. We lag behind other countries, and we have done so for many years. I am not saying that we got everything right, and I am certainly not saying that the current Government have got everything right. We will be having the same argument for many years to come.

We have to admit that some UK private industry has been reluctant to train people. Many companies see training as an avoidable cost rather than as an investment. For too long, rather than training people themselves, companies have preferred to poach a skilled employee who has been trained by another company. After a time, that becomes a bit of a vicious circle. Many people from companies, particularly smaller companies, have asked me what the point is of training somebody. They invest a lot of time and money in doing it, but then the bigger company down the road comes in, offers the employee more money and off that employee goes. Those companies say that they might as well not train anybody in the first place.

In the past, we had a number of nationalised industries; whatever their merits, most people will accept that they trained an awful lot of people to a very high standard. Many of those people drifted off to the private sector. After privatisation, one of the first things to suffer was the number of people being trained—numbers were cut and shareholders became the fundamental concern. We saw a big drop-off in the number of employees being trained by companies such as British Telecom, British Gas and the old electricity companies. People were not going from the public sector to the private sector in the same numbers to fill the gap that the private sector has always failed to fill.

I know that this will get absolutely no support from Government Members, but I support a training levy: a company of a certain size should have an obligation to train a certain number of people. That would mean a level playing field. It might address the problem of some companies not training people because they are worried—

Andrew Bridgen: Do we not already have a levy on companies? It is called corporation tax.

Mark Tami: The hon. Gentleman says that corporation tax is a levy, but does it address the training issue for companies? No, it does not.

Martin Horwood (Cheltenham) (LD): The hon. Gentleman may have some support on this side of the House for the idea of a training levy. Certainly, engineering businesses in my constituency have strongly put the case

to me that they bear a cost for training that ends up advantaging other companies that poach their employees. It would be a good idea to have some form of incentive to encourage training by those responsible companies and discourage that kind of poaching.

Mark Tami: That was the point that I was trying to make. Once again, we are seeing a split in the coalition on this issue.

I finish by saying that I suppose that there is some good news—the Government are recognising that the cap as originally put forward was not going to work and would be damaging. But we need to clear up where we are on this. There is the problem of this Government—and, okay, previous Governments as well—sometimes going for a cheap, headline-grabbing policy that sounds very good. People like the sound of it but then it really starts to unravel in the way that the policy on the cap is. It is creating a lot of uncertainty for business. Business is worried. At least the Secretary of State for Business, Innovation and Skills recognised that some time ago.

1.54 pm

Chris Skidmore (Kingswood) (Con): I start by thanking the right hon. Member for Birkenhead (Mr Field) for arranging this debate and the Backbench Business Committee for allowing it. For the first time, as Members of Parliament, we can have an open and frank discussion about the levels of immigration in this country, and that is long overdue.

During the general election and long before, the high levels of immigration allowed by the previous Government were—and they remain—one of the biggest issues for my constituents in Kingswood. Yet, as has been mentioned in the excellent contributions so far in this debate, people have been afraid to discuss this crucial issue, which, happily, we are now beginning to address. Why is that? It is because people have been concerned about being viewed as intolerant—as bigots, even—if they raise the issue of immigration publicly. We all know that Britain is not a bigoted nation. The British people are not and have never been bigots.

It is not bigoted to be genuinely concerned about how our local schools might cope with increasing school rolls or about how teachers can keep discipline with several different languages being spoken in the classroom. It is not bigoted to be genuinely concerned about the pressures being placed on the NHS by population expansion and how local hospital services will cope with the increased demands placed on them. Nor is it bigoted to be genuinely concerned about how all our local services—our infrastructure—might be able to cope with an increased population.

As the right hon. Member for Birkenhead illustrated well, that is where the heart of the debate lies. How can we as a nation cope with the additional pressures that mass immigration might bring? It is clear to me that we can no longer cope in the current financial circumstances.

Andrew Selous: I agree with every word that my hon. Friend has said, but will he add to the list of good reasons for having this debate? If the mainstream parties do not debate this issue in a sensible and moderate manner, we feed the extremists. If our constituents do not see us discussing the issue sensibly, they will go to the extreme parties that we all dislike.

Chris Skidmore: Absolutely. The lesson that all three parties learned from the general election was that the issue needed to be debated. Happily, it was debated at the end of the general election, although it should have been brought forward sooner. It is clear to me that it is only right and responsible for us to act now to protect our public services and local infrastructure. It is clear that we can no longer go on as we were, with a policy of uncontrolled immigration and net migration reaching almost 200,000.

Andrew Percy (Brigg and Goole) (Con): My hon. Friend is entirely right that we need to look at limiting immigration. In my constituency, particularly in Goole, the biggest influx has come from eastern Europe. Does he agree that the failure of the previous Government to limit EU immigration, as they could and should have done, has helped to fuel national concerns about immigration?

Chris Skidmore: I certainly recognise that, back in 2004, the previous Government failed to address the problem of transitional controls when negotiating with the EU. If the EU is to expand, the current Government will ensure that those controls are put in place, as is absolutely necessary.

I certainly welcome the current plans to halve the net migration figure—currently 200,000—by 2015 and also the cap on annual non-EU immigration. We can have a debate today on what the figure for the cap should be, but I believe that it must be in the tens of thousands, drastically lower than the hundreds of thousands that we were witnessing until recently.

Above all, as a Government and a Parliament, we must send out a clear message. My constituents in Kingswood want a Government who are finally in control of their immigration policy—a Government who are policing their borders and standing up for the British people.

Andrew Bridgen: Does my hon. Friend agree that there is an argument for controlling immigration that would be obvious to anyone with a basic grasp of mathematics? It is that we are an island of limited resources. The more people there are in the country, the less, on average, every single one of us will get.

Chris Skidmore: I certainly agree that our circumstances as an island place us in an unusual situation compared with the rest of Europe.

Martin Horwood: Does the hon. Gentleman agree with the Institute for Public Policy Research think-tank, which has said that

"what often gives the public the impression that immigration is out of control is politicians making promises to 'clamp down' on immigration that they then cannot deliver"?

Was not that the lesson of the whole era of new Labour? The Labour Government promised to be tough on immigration but, because they continually wanted to appease the *Daily Mail*, they had to keep on trying to produce different immigration and nationality Acts that damaged this country in terms of fairness and its sensitivity to people of different colours and different races?

Chris Skidmore: Absolutely. As individual Members of Parliament we each have a responsibility to our constituents to ensure that we have a fair but firm, and responsible, debate here and in the literature that we put out in our constituencies. I cannot comment on the recent case, but it obviously reflects that.

I talked about the British people, and I want to press this point. We must stand up for the interests of British people who have invested in this country—who have paid their taxes for years and funded our schools, our hospitals and our roads. We must fight on behalf of our constituents who go about their day-to-day business, getting on with their lives, and paying for our local services—indeed, paying for our salaries. That is our duty as legislators in this House and as constituency MPs.

Mr Virendra Sharma: The hon. Gentleman will no doubt agree that the migrant community has also contributed effectively for the past many years. I am not talking about general immigration, but people from the south-east Asian countries.

Chris Skidmore: I thank the hon. Gentleman for that point, which the right hon. Member for Birkenhead made very effectively. We are not here to criticise what happened decades before. There are many people who have arrived in this country, paid their taxes and who are British citizens. We are also standing up for and defending their rights when we debate how to control immigration.

It is not bigoted to be genuinely concerned about the future of our nation and its future generation—those young people who are in desperate need of jobs and employment. The hon. Member for Alyn and Deeside (Mark Tami) raised the issue of business. We need to listen to the voice of business if we are to succeed in bringing about an economic recovery, especially those in international industries who choose Britain as their base. That is why, when a cap is placed on immigration next year, we must be sure that those who are allowed into this country are only those whom this country needs and who have expertise from which we will benefit.

Andrew Percy: Does my hon. Friend agree that through our membership of the European Union we are now in the strange position whereby we are putting limits on people coming here from nations such as Canada and Australia, where the skills base is the same and the qualifications are equally recognised, but we are completely unable to control immigration from countries across eastern Europe, where there are different cultures, skills bases and qualifications?

Chris Skidmore: We have certainly been left with a legacy, and we have to play the cards that we have been dealt. I might like things to have been different, if that were possible. However, we must accept that the European Union covers 47% of our trade and is therefore a major player that we have to deal with, and we need to operate within that framework in terms of border controls.

Rehman Chishti (Gillingham and Rainham) (Con): My hon. Friend talks about the future, but we also need to look at the existing system. Before coming to this place, I practised as a barrister and prosecuted cases for a number of years. An illegal immigrant or an immigrant who had committed an offence would be served with an IM3, an order for deportation, and a judge then made a recommendation. From that point to the point of deportation—and in the time it took to put that into practice—the left arm of the Home Office did not know what its right arm was doing, and in the meantime the taxpayer was paying for it. Before looking to the future, we need to ensure that the problems with the previous system, which has been in place for several years, are put right.

Chris Skidmore: I defer to my hon. Friend's expertise on this matter, but thank him for raising that valuable point.

I want to return to the issue of employment. While hundreds of thousands of British citizens are still seeking a job, and when 10% of recent British graduates are still looking for jobs, the economic recovery must begin here. Although it is important that low-skilled jobs are filled in order to encourage growth in the economy, there are hundreds of thousands of British citizens who can fill them. If we are to build an economic recovery, it must be on the back of the talents of the British people.

Martin Horwood: One of the reasons the IPPR, which I quoted earlier, and others, such as the British Chambers of Commerce, are opposing the cap, or certainly opposing its being imposed too rigidly, is that they have identified that immigration is very good for the economy in many respects—that it is the source of great entrepreneurial spirit. Does the hon. Gentleman accept that immigrants have contributed a huge amount to this country, and specifically to its economy and prosperity?

Chris Skidmore: I would never deny that fact. However, the simple fact remains that we are not accountable to the IPPR, but to our constituents. I am sure that the hon. Gentleman, and every Member here—not during the election but on every weekend when we are back in our constituencies knocking on doors—has found that this is the single biggest issue that is raised in the nation at large.

Henry Smith (Crawley) (Con): My hon. Friend is making a very compelling argument. This goes back to a point that was made earlier. It does not matter what the ethnic background of people happens to be. I have found on the doorsteps of Crawley that, regardless of other people's backgrounds, people are concerned about jobs, schools, and pressure on the health service. Those are universal concerns.

Chris Skidmore: I thank my hon. Friend for that intervention, which returns to the question of population pressure and infrastructure. That must be the crucial message of this debate.

I want to end by raising what is, for me, another vital concern—that we cannot begin to tackle immigration effectively without looking clearly at the process of integration. For too long, Government and local authorities have acquiesced in allowing parallel communities to exist—communities and neighbourhoods speaking different languages, yet never really speaking to each other. In every council, thousands of pounds of taxpayers' money, in some cases nearly half a million pounds, are spent on

translators and interpreters, and on leaflets produced in every language imaginable. If we want to create an integrated society, this must change. We cannot allow any policy on immigration to be implemented without addressing what I believe to be the paramount concern: that the English language must be upheld, and that any person who enters this country must expect—indeed, be expected—to learn and speak English if they are to co-exist and play a responsible role in British society.

As I have said, the British people are not bigots. Britain is a tolerant nation that looks outwards rather than inwards, a nation that is proud of our international heritage and responsibilities. That, in part, is what made us great in the first place. But the time has now come, in this debate and moving on, for us to take a firm stance on immigration. I know for my constituents in Kingswood that this cannot come soon enough.

2.7 pm

Heidi Alexander (Lewisham East) (Lab): I am very pleased to participate in this debate. I am grateful to my right hon. Friend the Member for Birkenhead (Mr Field) for proposing it and to the hon. Member for Mid Sussex (Nicholas Soames), who cannot be here today. I do not necessarily share all their views on this subject, but they are both entirely right to say that immigration is a matter of overwhelming concern to the public.

It is with a degree of trepidation that I speak on this topic. Unlike my right hon. Friend the Member for Birkenhead, I have done comparatively little work on immigration. I do not pretend to have all the answers, and I certainly do not pretend that my remarks will please everyone, but as someone who represents a part of London that has benefited enormously from the flow of people from all over the world I feel compelled to say something about the conundrum in which we now find ourselves, where the Government's desire to see the "brightest and best" come to the UK is contradicted by an artificial, policy-driven cap that prevents those very people from coming in the numbers our economy needs. It is a conundrum in which thousands of people, many of whom have families, have been told by the UK Border Agency that they face removal or deportation, yet for years have been left to get on with their lives in towns and cities up and down the country. It is a conundrum surprisingly summed up best by our tabloids. One day it is "Save Gamu Nhengu", the next it is back to the old refrain of "Fewer immigrants, refugees and asylum seekers". I meet people such as Gamu every week in my surgery, who have come to our country to make a better life for themselves and their families. Not everyone has been on "The X Factor", but many have equally strong cases for staying in the UK.

Immigration was one of the top concerns raised by my constituents during the election, as it was for many other Members. In fact, I would say it was probably in the top three subjects of conversation on the doorstep, along with concerns about the economy and a general disillusionment with politics and politicians. Time and again, I spoke to people who believed that immigrants were taking their jobs and homes. The vast majority of those people were not racist and some were first or second-generation immigrants themselves, but they were often people who were struggling to make ends meet, had seen significant changes in their neighbourhood and were looking for someone to blame for their own hardship. Many held the belief that immigrants were jumping the queue for social housing, and others felt that eastern European construction workers were taking jobs from their sons and grandsons.

Andrew Bridgen: Does the hon. Lady agree that those in our society who are the most vulnerable to the next wave of uncontrolled immigration are not her or Conservative Members but the previous wave of immigrants? They will have to compete for the scant resources in our inner-city areas.

Heidi Alexander: I do appreciate that recent waves of immigrants are sometimes the most deprived people in urban areas, and I understand their concerns, but I believe that a lot of them respect the contribution that former waves of immigrants have made, and they want to feel that society's resources are shared fairly and that we take an appropriate, fair but firm approach to immigration.

I have talked a little about the stereotypes of the *Daily Mail* about why people are concerned about immigration. Those stereotypes have now taken root in many communities across the UK. I understand the concerns of my constituents. I understand that when a family from a different country who speak a different language move into a council house down the road, constituents might question why their daughter is still living at home with them and is number 4,323 on the housing waiting list. However, who is to say that their new neighbours are not renting that house privately? Who is to say that the house was not sold many years ago under the right to buy, or that the main breadwinner in the family is not a highly skilled hospital doctor who has come to the UK to fill a position in our NHS that desperately needed to be filled?

Robert Halfon: I thank the hon. Lady for her thoughtful opening remarks. Does she agree that the problem is not that bad people are hostile to immigrants, because there will always be bad people? The real problem is that so many good people have become hostile to immigrants, because, as was mentioned earlier, every time they raise the subject they are accused of being racist. The problems that she talks about occur because people are not allowed to discuss the matter openly without being accused of some ulterior motive.

Heidi Alexander: I agree that it is very important that we discuss the matter openly and rationally. I agree entirely with the comment made earlier by the hon. Member for Canterbury (Mr Brazier) that if politicians from the mainstream parties do not discuss it, we leave a space for other parties. That is why I congratulate my right hon. Friend the Member for Birkenhead on securing the debate.

I also believe that people's concerns about immigration are symptomatic of the other big challenges with which we are grappling, which some Members have mentioned. They include the availability of housing at a price that people can afford and of jobs that pay a salary that makes taking the work worth while. We need to address those fundamental problems at the same time as ensuring that our immigration system is, to coin a phrase, "fit for purpose". It is to that issue that I now turn.

[Heidi Alexander]

What frustrates me more than anything else about our immigration system is our failure—yes, I accept that it was a failure of the previous Government as much as it is of the current one—to enforce decisions in a fair and humane way. We need appropriate enforcement at the point at which decisions are taken. Given that 37% of immigration appeals are successful, there is also a problem with the right decision being made in the first place, but perhaps that is a discussion for another day. I simply say that we should learn from our mistakes and make better decisions at the outset.

I suspect that I have many constituents who were told years ago that they were liable to deportation or removal, but nothing has happened. Such people carry on their lives, which is understandable. Some might be working in the informal economy, and some will have hung on to jobs that they legally should not have done. They have started relationships and had children, and their children have started school. It is then, years down the line, that they get a visit from the enforcement officers. I do not know what it would feel like to be a six-year-old child and be taken out of school—often the only school they have ever known—and have to move to a country to which they have never been, but something tells me that it would not feel great. I accept that every case is different, and that people who have been convicted of crimes in the past should not be allowed to stay, but I question why we are so intent on causing such upheaval to families.

Rehman Chishti: The hon. Lady brings us back to the existing system being completely bizarre. For example, when immigration judges determine a case, they are not allowed to examine an applicant's previous convictions because of a problem between the Association of Chief Police Officers and the Home Office. Does she agree that to improve the system immigration judges must be able to see an applicant's previous convictions when determining whether they can stay in this country?

Heidi Alexander: The hon. Gentleman clearly has a degree of expertise in the matter, and his suggestion sounds sensible.

I was talking about the upheaval caused to families who have been in this country a long time who face removal or deportation proceedings, not all of them as a result of doing something that the vast majority of the population would think drastically wrong. We need a sensitive approach, and if we are to have fair immigration controls we need to deal humanely with the people who are in the country at the moment.

Enforcement is a case of needing to be firm to be fair—not aggressive, not rough, but firm, competent and timely. I do not underestimate the difficulty of getting the balance right, but I cannot help but worry that cuts in the number of UK Border Agency staff will make the problem even worse. Perhaps fewer staff will just mean fewer legacy cases being processed and more people hanging around the system waiting to get on with their lives. I do not know the answer to this question, but perhaps the Minister will enlighten us about why, at a time when his Government are talking tough on immigration, he is cutting the very staff who are needed to do the job.

My second main frustration about the cases that I see in my surgery relates to the poor quality of immigration advice that many of my constituents receive. Although many private and voluntary sector providers deliver an excellent service, there are also many so-called advisers who simply exploit vulnerable people who do not know which way to turn.

Mark Tami: My hon. Friend touches on a very important point. The sad thing is that by the time some people come to see us, they have already forked out hundreds or thousands of pounds to people for giving advice that they could either get off the internet or from our offices. Those people are like vultures.

Heidi Alexander: I agree entirely. Earlier this week, the Secretary of State for Justice himself admitted in the House that people are being taken advantage of. He said:

> "We have all known for many years that some…advice, usually given by non-lawyers…is not very good and that the prices charged are rather unscrupulous."—[*Official Report*, 15 November 2010; Vol. 518, c. 671-72.]

I think "not very good" and "rather unscrupulous" are probably quite significant understatements. In my experience, some individuals dispense absolutely diabolical immigration advice, and something needs to be done to tackle that.

I fear that the challenges to legal aid will make the situation worse, and I understand that the Office of the Immigration Services Commissioner will undergo a merger in the not-too-distant future. I ask the Minister to use this opportunity to look again at the accreditation process for immigration advisers and at the quality checks done on providers once accreditation has been obtained. I am told that the accreditation process for advisers without legal qualifications involves a simple online test, which seems somewhat open to abuse. Will the Minister speak with his colleagues in the Ministry of Justice about tightening that process?

Much of the debate has focused on the implications of the cap for top universities, but another part of the education sector could also be hit hard by changes to the immigration rules. Roughly half of international students in our universities have completed some form of foundation course in the UK. In my constituency, Twin Training International Ltd provides such courses, along with short English language courses. It makes an enormous contribution to the local economy; in fact, after Sainsbury and Tesco, it is the largest employer in the borough of Lewisham. However, it also puts money into the hands of many local families, who provide board to students. This is not some dodgy college set up to offer a way into the country, but a reputable business, which has the capacity to grow. However, it will not grow, and it will lose students to businesses in Canada and America, if the Government make it harder for those students to come here. Why would we encourage international students to learn English in Canada when they could learn it in England?

I accept that action needs to be taken against bogus colleges, and the previous Government started that process. However, it is important that we remind ourselves that only 12% of all migrants granted settlement last year originally entered the UK as students. Some

80% of all overseas students leave the UK within five years of entering. In taking action against fraudulent institutions, let us not throw the proverbial baby out with the bathwater.

I accept that we need some form of control over the numbers of people coming to the UK and over the purposes for which they come here, but please let us acknowledge the way in which the flow of people from all over the world makes a positive difference to our economy and culture. Let us also acknowledge the benefits of international students going back to their own countries with links to the UK.

Let us also treat people who are here humanely. Let us think how we would feel if our children were being taken away from their school friends, our 17 or 18-year-old was being sent back to Afghanistan or our friends were being forced to live in limbo, as they waited for the Home Office to make a decision on their case.

Mr Brazier: The hon. Lady refers to Afghanistan. I am a strong supporter of a local charity that looks after unaccompanied asylum seekers, who are overwhelmingly from Afghanistan. Two of my wife's relatives serve in the armed forces, so may I put it to the hon. Lady that when this country is committed to a policy of trying to turn Afghanistan round, and plenty of young British males and females are risking their lives to do that, it is not unreasonable, as the country stabilises, for people to return there when they reach adulthood?

Heidi Alexander: The hon. Gentleman hits the nail on the head when he says "as it stabilises". My understanding is that although the security situation might be quite stable in parts of Kabul, it is not in other parts of the country.

Mr Peter Lilley (Hitchin and Harpenden) (Con): It is probably all right as long as someone is not a British soldier. The bulk of the inhabitants of Afghanistan are living peacefully.

Heidi Alexander: I suspect that we are moving away from the subject of the debate.

One of my concerns about removing children or young adults to places such as Afghanistan relates to age disputes. It is difficult for us in this country accurately to determine the ages of young people, some of whom are forced to return.

In May, the Prime Minister welcomed the fact that the UK is more open at home and more compassionate abroad than it was a decade ago. I agree, but I would go further. I want us to be more open abroad and more compassionate at home. With every day that goes by, our world becomes smaller. If we are not open to the world, how do we expect to play our part in it? If we cannot be compassionate at home, this is not the sort of country I want to live in. I am not saying that any of this is easy, but a game of numbers alone hides the complexities of the issue, and it would be wrong for any of us to try to simplify it in that way.

2.25 pm

Tom Brake (Carshalton and Wallington) (LD): I congratulate the right hon. Member for Birkenhead (Mr Field) on securing this important debate. He is right that this might be the first such debate in Parliament, but it was clear in the general election that the issue was being widely discussed. Indeed, I shared a number of platforms on immigration with the Minister. We attended some very lively, well-attended debates, where a wide range of quite colourful views were expressed. I welcome the fact that Parliament is able to debate this issue, and we should be able to do so openly and without running the risk of being accused of racism. Clearly, the subject is of great concern to all our constituents, so we need to be able to talk about it maturely and openly, which is what I think we are doing today.

I had wanted to tell the hon. Member for Alyn and Deeside (Mark Tami) that he made a nice try of splitting the coalition, but he will have to try a little harder. *[Interruption.]* Oh, he is here, so he will hear this. It may be difficult for him to understand the concept of two political parties forming a coalition, working together on policies and improving them as a result, but he will have to get used to that over the next four and a half years.

All of us in the Chamber would agree that immigration needs to be more effectively managed. The hon. Member for Lewisham East (Heidi Alexander), who made a good contribution, talked about the need for policy to be firm, competent and timely. That is not an issue that previous Conservative and Labour Governments, and possibly the Lib-Lab pact Government, have addressed very successfully. Unfortunately, that has undermined public confidence, and the temperature of the issue has been raised by the lack of effective controls.

It is therefore right that our first focus should be on making the system work effectively and well. The coalition agreement is clear, for instance, about restoring exit controls. In recent years, the lack of such controls has meant that we have never had a real handle on immigration, because we simply have not known how many people have arrived in the UK and subsequently left. I hope that restoring those controls will give us greater clarity. Both Conservatives and Liberal Democrats argued for a UK border force to be brought into operation, which will have a major impact in that respect.

As the hon. Member for Lewisham East said, immigration does not lend itself to simple solutions, and there are difficult issues that we are not debating today that the Government must nevertheless address, including, for instance, the indefinite detention of people who cannot be deported from the UK, either because they would be deported to countries where there is a real risk, such as Somalia, or because they are dissembling about where they come from, and the country to which they want to be deported is unwilling to issue travel papers. The Government face and will need to address such difficult issues, but they are not the principal focus of the debate.

It is the view of all parties represented in the House that, fundamentally, immigration has benefited Britain. People coming to this country have given a very great deal to our economy, culture and society. We must make the immigration system more effective. Of course, that means that people who come to settle in Britain should learn the language, but it does not mean that we should pull up the drawbridge. We need to be careful about immigration measures to ensure that they do not damage the UK economy. We do not want people to be turned away from the UK if we know that they would make a substantial contribution to our economy.

Sajid Javid (Bromsgrove) (Con): Does my hon. Friend agree that successive Governments have followed a misguided policy of multiculturalism? Rather than helping to bring people of different cultures together, the policy has acted to divide them. Our approach should be to learn from that. We should emphasise the things that people who are settling in our country have in common with the people who are already here.

Tom Brake: I agree with some of what my hon. Friend says. I went to an international school in France from the age of eight to 18. All lessons apart from English language, history and literature were conducted in French. Other languages were used in other sections of the school for children from other countries around the world. The school ensured that all students were fully committed to French society and to learning about French history and culture, but at the same time, students could retain a stake in their countries of origin and study their history, language and literature. If the hon. Gentleman means that immigrants should integrate and absorb the basic principles of being British, I agree with him, but I hope that he can see the real value in those immigrants retaining their own culture and language, because that allows them to make a contribution to British society. I hope we agree on those points.

We need an immigration policy that is beneficial to the UK, and various organisations have raised questions about our policy. I am sure that the Minister has been on the receiving end of the briefing from Universities UK and the Association of Medical Research Charities, and that he is ready to respond positively to their concerns. The briefing concentrates quite heavily on controls that could stop researchers who could make a substantial contribution to medicine if they come to the UK under tier 1. They are worried about past salary being one of the principal considerations. Often, academics and researchers have not previously received salaries commensurate with those in the finance sector or law and so on. Therefore, some regard must be given to ensuring that people who will make a contribution will not be disallowed from coming in. We know that people make such contributions, and some have won Nobel prizes following their contributions to research. In addition, research developments very often lead to economic or business applications.

Universities UK and the Association of Medical Charities are also concerned about tier 2. Academics and researchers are not listed as shortage occupations, but they are often in specialised, niche markets, in which very few people have the same skills either in the UK or beyond.

The Minister will have seen the briefing from the British Chambers of Commerce, which is similarly concerned about tier 1. A point was made earlier about people who come to the UK under tier 1 and subsequently ended up working as pizza delivery drivers. Clearly, if that happens, something has gone dramatically wrong with the system. We need to ensure that we allow entrepreneurs, who we know will make a substantial contribution to the economy, to come to the UK, but at the same time we want to ensure that people with skills and flair come here to do the work that we expect them to do under tier 1. Ensuring that the system operates in that way is one of the challenges that the Government face.

In conclusion, the coalition agrees on the need to tackle the issues before us. Clearly, on some issues, businesses have lobbied all Members heavily with their concerns, and I know that the Government have listened carefully and will address them in their response.

Mr Gerry Sutcliffe (Bradford South) (Lab): In this spirit of consensus and the coalition agreement on what to do in the future and now, what is the coalition's position on an amnesty for people already here who have no prospect of being sent back?

Tom Brake: When an intervention starts, "In the spirit of consensus", I always start to panic. I am not sure whether the hon. Gentleman was referring to a previous amnesty policy advocated during the general election campaign, but he will know that that was not one of the policies that moved into the coalition programme. I and my colleagues are comfortable with what the coalition Government are doing. All we want, and all Conservative Members are seeking to do, is to improve an outstanding policy proposal from the Government.

Clearly, we need to deal with problems in the immigration system and ensure that integration is promoted, but the coalition will not turn that message into one whereby we present immigration as always being a problem, or turn to measures that could do more harm than good to the UK economy.

2.36 pm

Mr Virendra Sharma (Ealing, Southall) (Lab): Thank you, Madam Deputy Speaker, for allowing me to take part in this debate, which is important to my constituents and the country as a whole. I congratulate my right hon. Friend the Member for Birkenhead (Mr Field) and the hon. Member for Mid Sussex (Nicholas Soames) on securing it.

I want to make a couple of points absolutely clear. First, nobody on either side of the House or in our communities supports an open-door policy. As a community activist who served in local government for more than 28 years as an elected official, I can say with full confidence that nobody in this country supports that open-door policy. The second point concerns the fear of being accused of racism, from which this debate has grown. Everybody now wants to have a fair, mature and common-sense debate. I am sure that colleagues feel the same, and do not fear accusations of racism when they speak their minds. I do not think they will be so accused.

I state firmly and clearly that this country has benefited enormously from various waves of immigration over a very long time, and I was glad to hear, in this and previous debates, that everyone agrees. I am glad that nobody has contradicted that statement. My constituency is testament to the benefit of immigration. Over time, it has welcomed immigrants from all over the world—from Wales in the mid-19th century, Ireland at the turn of the century, the West Indies after world war two, and India, Pakistan and other south Asian countries in the '50s, '60s and '70s. More recently, people from Afghanistan, Sri Lanka, Somalia and eastern Europe, including a large number of Poles, have joined the area. I am proud to represent such a rich and diverse constituency, with such an excellent record in economic entrepreneurship and business growth.

Before I discuss issues surrounding immigration and economic recovery, I would like to make some further, personal points about immigration. There are certain perceptions about the arranged marriage system. There are Members who feel that everybody who goes through the arranged marriage system uses it to enter a marriage of convenience. I have to say that all marriages are marriages of convenience, and not only for immigration.

I was born in a village called Mandhali, in the state of Punjab in India, and I came to this country 42 years ago, as a young man in an arranged marriage. I began my working life in this country as a bus conductor, and I have worked hard ever since, attending university on a trade union scholarship and eventually becoming a day centre manager for adults with learning disabilities, and entering this House three and a half years ago. My children were born and educated in this country, and along with their families they are now making a significant contribution to the communities where they live.

My experience is not atypical. Many of my contemporaries who arrived in this country at the same time I did took on jobs for which they were overqualified, but over the years they have built up businesses and advanced in their careers. Their children have succeeded in their education and are making major contributions in the professions and businesses of this country. That is the personal story of many of my constituents and many other immigrants to this country over many years, and it is a positive story. The House should not forget that.

I want to address a number of other issues that are relevant to both the country and my constituency. First, on border controls, the previous Government were moving in the right direction with the points-based system, but there were problems with that system and there still are. Restricting the numbers of specialist south Asian chefs to train people in this country is still a problem in my constituency and in many other parts of the country.

Tom Brake: I would like to draw the hon. Gentleman's attention to the Federation of Bangladeshi Caterers, whose president runs a restaurant in my constituency and whose approach to the issue is to work with the community in this country to ensure that people who are not in work can acquire the skills to work in their restaurants.

Mr Sharma: I thank the hon. Gentleman for giving that information. Many businesses are trying hard, but that same Bangladeshi restaurant owner or the chef working at that restaurant must have told him that it is not an easy profession to teach. It takes a long time to do a chef's job properly, starting from an apprenticeship. I am not a chef—I am not a cook in general—but I understand the process that people have to go through, because I have seen it. They need an apprenticeship, but many young people in this country are not taking up the profession. In the face of that disadvantage, restaurant owners have no choice but to recruit people from the Indian subcontinent.

On the other Government policy—a cap on highly skilled migrants—it makes no sense to stop entrepreneurs coming to this country when we desperately need their skills to get us out of recession. I know that the Business Secretary understands that problem, but has he spoken to the Home Secretary and the Prime Minister about it? He should do, and quickly.

I am fully in favour of the UK Border Agency enforcing on businesses a requirement not to employ illegal workers, but I ask that that enforcement is intelligence-led and not disruptive to legitimately operating businesses. Many businesses in my constituency complain about insensitive raids by the UK Border Agency that are fruitless and harmful.

On visas for students from non-EU countries, I welcome the Government's move to face-to-face interviews for prospective students from south Asia. That is necessary to stop bogus applications, but we must not stop genuine students coming to this country. Colleges in my constituency, such as Ealing, Hammersmith and West London college, are making a tremendous contribution to the London economy with many non-EU students.

In my constituency we have strong business connections with the growing Indian economy. I am glad that the Prime Minister, the Deputy Prime Minister, and before them the previous Prime Minister, took a significant approach to build and to strengthen the relationship with India. That relationship should not be a one-way route. Investment and people are going not just from here to India; many investors from India are keen to come here and to invest. At present, Indian investors are the largest investors in this country. When we discuss immigration, we must also address those issues.

We act as an economic bridge to that rapidly growing world economic power. We must ensure that our immigration policies do not limit that huge economic opportunity by stopping highly skilled migrants from India working in the UK, or not allowing students from India and south-east Asia to come to this country on working holidays. The economic prize is great, and crucial for economic recovery. I urge the House to seize it.

2.48 pm

Mr Peter Lilley (Hitchin and Harpenden) (Con): I am grateful for the opportunity to participate in this debate, and I congratulate the right hon. Member for Birkenhead (Mr Field) on introducing it. Like him, I welcome the change in tone that has occurred in raising and debating the subject of immigration. In 2005, I wrote a pamphlet on the subject entitled "Too much of a good thing? Towards a balanced approach to immigration". I was immediately assailed by my political opponents in my constituency and accused in the local press of being racist. That was before they had read anything that I had said. In those days, simply raising the subject was deemed to be racist, but I am happy to say that when they read what I had said they withdrew their remarks, because I was manifestly not racist. I am glad that we have moved on, and that we can now discuss such matters.

For much of my adult life—this is probably not true of most hon. Members in the Chamber—I have lived in parts of London that have strong immigrant populations, and cheek by jowl with people who had emigrated to this country. As a result, I knew from working with people of immigrant origin, and from knowing them as friends and neighbours and worshipping in the same churches, that the caricature of immigrants often portrayed in the media is often the very reverse of the truth. Far from being scroungers, criminals and a threat to society, the majority of them are decent, hard-working, law-abiding people who want to make a positive contribution to the community.

[Mr Peter Lilley]

So I began with a bias in favour of immigration. I became involved in the subject and was prompted to write the pamphlet only because I was investigating the housing issue in Hertfordshire. I was intrigued as to why housing targets were constantly raised. When I inquired why, I was told by the great and the good and by the officials in local authorities and planning authorities that there were two reasons that we needed constantly to build more houses. The first was declining household size, and that was true. On average, if there were an unchanged population in Hertfordshire, we would need 0.5% more houses every year because household sizes are declining by 0.5% each year.

The second reason I was given was that there was an inflow into the south-east from the rest of the country. I looked into that, and I found it to be untrue. It was what we would call, in places other than this, a lie. In fact, there was a net outflow of people from the south-east of England to the rest of the United Kingdom. There was, however, a net inflow into London, particularly, from abroad. In 17 statements to the House on housing made by the previous Government, the impact of international migration on demand for housing was never once mentioned. That was the nature of our debate. We were pretending that the phenomenon was not happening, even though everyone could observe that it was.

As far as my constituency was concerned, people were moving to London from abroad and occupying houses—because they were allocated them, because they had bought them or because they had rented them—that would otherwise have been occupied by the people already resident in London. Those people therefore moved out to Hertfordshire and the rest of the home counties, and we had to build houses for them.

When I looked into the matter further, I found that 80% of the expected population growth and more than 40% of new household formation in this country was the result of net immigration from abroad. That is why we have a housing crisis in this country. That is why housing waiting lists have increased so dramatically over the past 10 or 15 years. That is also why so many of our constituents link housing with immigration. They do not dislike immigrants. Like me, they probably know them and live with them—we are all human beings; we are all children of the same God and I hope that we all get on with each other—but they know that if there is a net inflow into the country and we are not building as many houses as there are people coming in, that will result in a housing crisis and the people who are already here will have to bear the brunt of it in due course. I therefore wrote about that and thought about it purely in those terms.

I went on to look at the economic benefits that were alleged to result from large-scale immigration into this country. I found that the debate on those supposed benefits was depressingly superficial. It consisted of slogans rather than analysis. When I looked at the analysis that had been seriously carried out into the economic benefits that flow from immigration, I could find no major study that believed there to be any substantial net gain to an economy from large-scale net immigration. The hon. Member for Cheltenham (Martin Horwood), who is no longer in his place, mentioned certain publications by the Institute for Public Policy Research that were in favour of immigration, but I shall quote from a document that the institute published entitled "The Politics of Migration". It contains an essay by Mark Kleinman, in which he states:

> "There is not a compelling long-term case for increased immigration purely in terms of economic benefits."

I could quote from many other studies that reached the same conclusion. According to some, there might be a mild economic benefit if we ignore all the housing and infrastructure problems, or according to others, there might be a small net loss. The idea that we can substantially improve the well-being of this country through large-scale immigration is simply unsubstantiated by any major study.

This does not mean that we should have no immigration. My analogy is that immigration is much more like a lubricant than a fuel. Without lubrication, a car would suffer severe damage, but once it has enough lubrication, adding more will not make it go better; it might even cause problems. Likewise, stopping all immigration would damage the economy, but encouraging more immigration beyond a certain point will not make those already here any better off. I challenge anyone to rebut that basic thesis. We need a modest amount of to-and-fro among people, with some moving here, others returning or moving elsewhere, but we do not need a substantial net increase in our population through immigration.

I shall deal with just one economic argument—the issue of skilled workers. The debate in this area is particularly superficial. It is widely assumed that allowing any skilled workers into the country must always be beneficial to the well-being of those already here, but that is not necessarily so. The only way to raise the living standards of our existing population over time is to increase the level of skills and the proportion of our population that has those skills, expertise and experience. Importing skills from abroad is often a substitute for doing that and discourages it. This is not the only reason, but it has contributed to the fact that this country has a less skilled population than many of our competitors, including Germany, France, Japan and America. A smaller proportion of our population has qualifications below degree level than almost any of our competitors.

We pretend that we can make do by importing skilled people instead, thereby simply leaving large swathes of our population unskilled, with reduced incentives to acquire skills, depression of the wages of people with skills and reduction of the differentials that can be gained from acquiring a skill. That cannot be right. Employers might say, "Ah, I would like to employ some skilled workers from abroad," but we should be wary of saying that this is a good thing. Employers always like to employ cheap labour. They would like to get cheaper accountants from abroad, cheaper lawyers from abroad, cheaper journalists from abroad—

Stephen Pound (Ealing North) (Lab): Cheaper MPs!

Mr Lilley: And cheaper MPs, says the man from the Pound store. These professions tend to be somewhat immune, in that if one wants to be a journalist or a lawyer, it helps to be English, to understand English law and so forth.

Gordon Birtwistle (Burnley) (LD): Does the right hon. Gentleman agree that we have to bring in some skills from abroad? There are new technologies abroad, such as the electric cars being developed by Toyota in Japan. In those cases, do we not need to bring in the skills from abroad so that people can bring the technologies with them? Is that not necessary to keep this country's skills up to date on technologies that are available abroad, but not available here?

Mr Lilley: Absolutely. I was coming on to that issue, which requires intelligent debate and recognition that it is not a matter of "all or nothing". The absurd idea that we should allow anybody who can be labelled a skilled worker to come here is wrong.

Mr Virendra Sharma: Will the right hon. Gentleman give way?

Mr Lilley: In a moment, as I want to finish answering the point that was raised.

I am not suggesting that certain categories of skilled workers could not be used during a temporary shortage while domestic employees were being trained, or that there could not be a skills transfer when the skills that were required could not, by their very nature, be acquired domestically or through training. We have traditionally allowed companies to import workers for the purposes of skills transfers when the skills concerned are company-specific.

Let us say that IBM is setting up a factory here. It has an IBM way of doing things. Initially, it will need to bring in the IBM accountant to show British accountants how to run the accounts and the financial system. Those running the production line may have to bring in IBM production engineers to train British engineers in their ways of doing things. It is not possible to buy such company-specific skills on the market; they must be imported temporarily. However, because the people who have transferred the skills invariably return, the transfer does not result in net migration. That is very different from allowing cheap skills into this country.

In a blog that is influential in the IT industry—here I declare an interest—the author of the Holway report constantly hammers home the fact that we are moving slowly towards circumstances in which fewer and fewer entry-level jobs are available in the industry. Last year 9,000 skilled IT workers were brought into the country by a handful of companies under the intra-company transfer scheme. That is not transferring skills from a company to domestic residents; it is importing cheap labour. However, we allow it, although as a result the IT sector has one of the highest rates of unemployment in industry. The Government must think seriously about the issue, and must not form policy on the basis of slogans such as "Skilled work is good" and "Open border to skilled workers". That is not good in the long run if it means that fewer of those who are already here acquire skills, experience and expertise.

David Mowat (Warrington South) (Con): Using the analogy of the IT industry, my right hon. Friend has pointed out that unemployment exists, and that there is a demand from a small number of companies for a large number of people to come into the country. The corollary is that, in a process called outsourcing, we move jobs to other parts of the world. That is just part of being a free trade country. If we wish to position ourselves as leaders in terms of free trade, as the Prime Minister said 10 days ago, the corollary is a degree of freedom of movement. There has been a massive skills failure in the country over the past decade and a half. Most of the 180,000 entrants are for STEM subjects—science, technology, engineering and mathematics. If we are unable to train people ourselves, it behoves us to allow them into the country in a way that benefits us.

Mr Lilley: My hon. Friend's intervention prompts a number of questions. For instance, why do we not train people?

For a while I was chairman of a small German company as a result of a merger, and the first thing that we did was bring in British employees to train its employees. It is considered automatic: every company, even a small company with only 200 employees, trains people. Sadly, that culture does not exist in this country. All that we think of doing is importing people from abroad, or possibly stealing them from our competitors down the road. At least if we steal them from our competitors down the road, we have to bid up the salaries for the particular skill involved. We encourage more people to acquire that skill, and as a result increase the number of people with such skills in our economy. However, the idea that we should assume passively that this country alone in the world cannot train people to acquire skills that semi-developed countries seem to be able to train their people to acquire strikes me as a defeatism that is sad and deplorable.

I hope we will recognise that there are some skills that we should allow into the country: entrepreneurial skills, for example, I rather doubt whether entrepreneurship can be taught. Some people are natural entrepreneurs while others are not. That is fair enough: if someone has proven success as an entrepreneur abroad, we should let him in, with some of the capital that he has acquired. Only a small number of people will be involved, however. That is not mass immigration. It will generate a lot of jobs and it is a sensible thing to do, so let us do it. However, we must distinguish between those sorts of skills and the sorts of skills we can enable the existing population of all ethnic origins to acquire, so that the well-being of those already here improves.

Mr Virendra Sharma: First, let me say that I take the recent sedentary comment of my hon. Friend the Member for Ealing North (Stephen Pound) as a compliment, rather than something negative. The right hon. Gentleman agrees that there is a skills gap within the work force at present, and to fill that gap we need workers coming from overseas because we cannot train people here overnight or in a short period. We need to address both ends of this issue by filling the gaps now from overseas while training the work force here for the future.

Mr Lilley: Yes, and that would imply the following policy: if a company says, "No one in this country yet has expertise in—"*[Interruption.]* Yes, in electric cars, as the hon. Member for Burnley (Gordon Birtwistle) suggests. I do not know whether that is the case, but if it is we might have to introduce that expertise from overseas in the short term, but the understanding should be that that is in order to transfer the expertise to the domestic population, rather than because we have given up on

[Mr Lilley]

the domestic population ever learning the skills to make electric cars. It should be short-term immigration, not long-term immigration.

Mr Sharma: I do not think that anybody is advocating that the work force here should not be trained. However, there is a skills gap in the work force and we need to fill it otherwise we will suffer economically.

Mr Lilley: Yes, but above all we need to fill it by training people up. That is what countries that grow and prosper do, and we have got to learn to do it too.

Mr Brazier: Will my right hon. Friend give way?

Mr Lilley: May I make a little more progress?

The hon. Member for Ealing, Southall (Mr Sharma) mentioned the skill of cooking Bangladeshi meals. There are a large number of unemployed Bangladeshi people in this country, and there are a large number of Bangladeshi restaurants. Why, therefore, do the restaurateurs not train up their staff to acquire these skills? I am afraid that the reason is because they can get staff with such skills more cheaply from the subcontinent. We must say that we want to have well-paid chefs in this country, not depress the pay by importing from abroad.

I want to refer to an aspect of the debate that none of us has mentioned, and that I suspect nobody except me will mention. Indeed, I would not have done so had I not acquired my copy of *Prospect* magazine yesterday. It is a left-wing magazine, but I am very open-minded so I read even left-wing monthly journals.

Stephen Pound: That's more than we do.

Mr Lilley: The hon. Gentleman is one of the few Members of this House who admits to general illiteracy.

The magazine contains a very interesting article by Professor Coleman, a professor of demographics at Oxford university and former consultant to the Government. I have always dealt with immigration in terms of net immigration. I have been concerned about numbers and housing, and so forth. If 200,000 people come here and 100,000 people leave, that is a net change of 100,000. The professor's article, however, looks at the impact of gross flows on the composition of this country's population. He observes that projections carried out by the Government Actuary's Department suggest that if the levels of immigration we inherited from the last Government and factors such as the birth rates of those who come from abroad, as against those of the domestic population, persist into future decades, in 50 years less than 50% of the population of this country will be ethnically British—ethnically English, Scottish, Welsh and Irish. That may not matter. If we reduce the level of net immigration into this country to 80,000 from the many tens of thousands, as we promised to do, it will take 70 years before less than half the population of this country are the original, indigenous, ethnic British. If we move towards a position of balanced migration, on which I have supported the right hon. Member for Birkenhead, it will take to the end of the century—90 years—before the existing British ethnic population is a minority. If there is no immigration and no emigration—that is a rather unlikely eventuality—by the end of the century we will still be 75% ethnic British. All I ask of Members of this House is to consider whether this is a good thing or a bad thing. Does it matter if the indigenous population becomes a minority, as has happened in Fiji, where the Fijians now constitute less than half of their population? I do not expect to receive a reply, because that is the sort of question that polite people do not ask. But it is what our constituents are asking and we should face up to it.

3.11 pm

Mr Gerry Sutcliffe (Bradford South) (Lab): I welcome this debate. As right hon. and hon. Members have said, this is the first time in this House that we have had the opportunity to look in detail at many of the questions that our constituents have put to us. I congratulate my right hon. Friend the Member for Birkenhead (Mr Field) and his co-chair of the all-party group on balanced migration, the hon. Member for Mid Sussex (Nicholas Soames), on securing this debate through the Backbench Business Committee process. It gives Members the opportunity to examine these issues in a less partisan way. When I made the point about the amnesty to the hon. Member for Carshalton and Wallington (Tom Brake), I was not trying to hoodwink him or catch him out; I had a genuine interest in many of the issues that we will have to face and address if we are serious about ensuring that immigration is addressed properly.

My right hon. Friend the Member for Birkenhead said that he was accused of being a racist when he first raised this issue, and the right hon. Member for Hitchin and Harpenden (Mr Lilley) said something similar. Clearly they are not, and we should be able to discuss many of the issues maturely. We have to do so in a way that gets to the truth of the issues. This debate has given us that opportunity and perhaps we can do so in a non-partisan way.

I agreed with most of the comments that most of the contributors have made in raising issues of concern. As an MP representing the city of Bradford, I am aware of immigration issues because our city was built on immigration. Its history is that of a wool town that became a city that has been based on immigration throughout its existence.

Some hon. Members have rightly said that if we do not discuss this issue in a proper way, parties of the right and the extreme left will do that. In Bradford, we have had the experience of right-wing parties choosing not to see immigration as the benefit that most of us, with some notable exceptions, have seen it as. Instead, those parties have raised immigration alongside race issues and turned the debate into one that none of us believes is right. People come to this country to do positive things; there is an economic and employment benefit. As the right hon. Member for Hitchin and Harpenden implied, however marginal the effect might be, the positive impact is there.

I welcome the all-party group and its distinguished supporters, whom my right hon. Friend the Member for Birkenhead talked about. Clearly it is right that we take a dispassionate view to make sure we get to the issues that really affect our constituents.

My right hon. Friend raised a number of interesting issues and he acknowledged that progress has been made. I know that it is the fashion for coalition Ministers—

although I hope not this Minister, with whom I and my right hon. Friend's have worked on previous occasions—to rubbish everything that the previous Government did, but I hope that he will accept that our Government did positive things. I accept that there are some political differences about the rate and the speed at which some things happen, but there has been progress over the past few years.

I was slightly startled by the intervention from the hon. Member for Perth and North Perthshire (Pete Wishart), who talked about extra points going to the people who might want to go to Scotland. I do not want to get involved in that question, but the lack of population growth in Scotland is an issue.

My right hon. Friend the Member for Birkenhead and the all-party group have raised a number of issues, particularly that of student numbers and their effect. I certainly agree about bogus courses. The starting point for all of us is managed migration and we all oppose, and want to eradicate and deal with, illegal immigration. We want to ensure that the people who come to this country are entitled to be here. The use of bogus courses as a means to come here needs to be looked into, and the previous Government did that. We need to go further on some issues, and I am sure that the Minister will want to tell us what his Government are doing about bogus courses.

There is a point about student numbers and we have to be careful. We have heard from universities and further education colleges about the impact that the cap will have on student numbers and the possibility that it will have a damaging effect on the funding of our universities and colleges. We must consider that.

Tier 1 and the points-based system have also been mentioned and there are concerns. I was at Business, Innovation and Skills questions this morning when the question of the transfer of labour between companies was raised. The Business Secretary gave a commitment, and I ask the Minister to reinforce that commitment so that there is no confusion. As has been said, chambers of commerce, the CBI and a number of other important bodies to do with our economy are concerned about the position of tier 1 people and what the cap might or might not do.

It is important that we continue the debate. Clearly, today is the first opportunity that we have had to raise the issue in such a way and we can now take things forward. I was interested to hear the speech made by the hon. Member for Canterbury (Mr Brazier), who acknowledged the contribution that migrant workers make to our economy, employment, culture and way of life. He also talked about green issues. I know that he was not trying to stop people flying to see their family members, but he made an important point. Housing, health, education and the environment are all issues that we will have to consider in our new circumstances. The hon. Gentleman also referred to Mr Spence, and I thought at one point that the hon. Gentleman was about to make the case for identity cards, but clearly he was not.

My hon. Friend the Member for Alyn and Deeside (Mark Tami) talked about the problems with engineering and cited a couple of constituency cases. They highlighted the confusion and perhaps the Minister will want to say more about that. We have the temporary cap in place, but clearly we expect the Government to make an announcement on the cap shortly and I hope that the Minister can give us more information. My hon. Friend attacked the Government for trying to grab headlines and although I would not accuse them of that in this instance, we need assurances that we will get detailed answers to some of the concerns shared by a range of people in business and education.

The hon. Member for Kingswood (Chris Skidmore) spoke about intolerance and the fact that we are not intolerant in this country. We are all proud of our ability to ensure that we have a system in place that protects genuine asylum seekers and that is quick, fair and meets people's requirements. The previous Government sped up the process. We will all have had constituency cases in which asylum seekers were kept waiting for a long time for decisions, which caused problems for them and their families. The previous Government took steps to improve the situation.

Gavin Barwell (Croydon Central) (Con): Will the hon. Gentleman accept that although the previous Government took those steps, we are not in anything like a perfect position at the moment? A number of my constituents are still waiting for decisions that predate 2007-08. I entirely acknowledge that some steps were taken but will he acknowledge that the problem has not yet been solved?

Mr Sutcliffe: I will, and I am grateful to the hon. Gentleman for acknowledging that there has been progress even though there is some way to go.

That brings me to the points that my hon. Friend the Member for Lewisham East (Heidi Alexander) made about the sensitive nature of these matters and how we should deal with people. The Government have come forward with cuts in the spending review of 20% for the Home Office, and the UK Border Agency also faces cuts of 20%. How does the Minister feel about those cuts when it comes to dealing with existing asylum and other legacy cases in the Home Office? What does he think will happen as a result of the 20% reduction? Will it help with enforcement and the ability to deal with illegal immigration?

My hon. Friend the Member for Lewisham East talked about immigration advisers and the problems that some of her constituents have faced. A number of hon. Members agree that there are problems with the accreditation and registration of advisers. Some people are being exploited way beyond their means and we have to put that right.

I take the point made by the hon. Member for Carshalton and Wallington (Tom Brake) about the coalition agreement, but there are many outstanding issues that the Government have to face. If we are to have a fair immigration policy to which our constituents will respond, we need to discuss all the issues. Of course, the press will publicise the immigration cap, but other issues need to be addressed, and if we do not get them right and have a positive discussion, all the good that comes from this debate will be lost because people will lose confidence in what we are trying to achieve.

Tom Brake: The hon. Gentleman has mentioned asylum, although the debate is about immigration. Will he join me in congratulating the Government on what they are doing to get rid of child detention in asylum cases in which families are to be deported?

Mr Sutcliffe: That is a laudable aspiration but it has not happened yet.

Tom Brake: The figure is zero at present.

Mr Sutcliffe: If that is the case, I am happy to acknowledge the work that has been done.

I have been in the House for 16 years, including three years in opposition, so I know that it is easy for the Opposition to ask why this or that has not been done and that things are not so easy when one becomes a Minister—one has to consider the expectations of a wider range of people. I hope, then, that the Minister will take my next comment as a positive criticism. A number of organisations and commentators have commented on the immigration cap. The *Financial Times* has said that the Prime Minister's pledge to bring immigration down to 1990s levels will hit outputs by as much as 1% and cost the Exchequer £9 billion a year in forgone tax revenues by the end of the Parliament. What is the Minister's view on that? Is there confusion in the Cabinet about the immigration cap? We keep hearing about different Ministers saying different things. It is important to get these things right to regain people's confidence.

The previous Government made much progress with e-borders and the introduction of UKBA and the points-based system. I accept that some issues need to be put right, but there was a genuine intent to move forward. As my right hon. Friend the Member for Birkenhead has said, we have to act constructively. The job of the Opposition is to hold the Government to account. We will be considering how to recalibrate some of the ideas and issues that we think important concerning the next steps, but we want to work with the Government on getting this issue right and preventing extremists on either side from damaging the good that migrant workers have done for our country.

EU immigration is a major concern, and although the Minister will disagree with the previous Government about how the problem came about, he will not want to suggest that the immigration cap affects EU workers. We should get the issue out in the open, stop pandering to national newspapers and ensure that the education, housing and schools issues that we face—all the impacts that migrant workers can have on our communities—are dealt with properly.

The Opposition will be supportive where we can be, critical when we need to be and will try to work with the Government to ensure that our immigration policy is fit for the current economic climate.

3.25 pm

The Parliamentary Under-Secretary of State for the Home Department (James Brokenshire): I, too, congratulate the right hon. Member for Birkenhead (Mr Field), my hon. Friend the Member for Mid Sussex (Nicholas Soames) and the cross-party group on balanced migration on securing the opportunity to discuss a very important issue. We have had thus far, and I am sure we will have for the rest of the debate, a measured discussion, which shows how much the issue has progressed. The nature of today's contributions has been striking, and I welcome the Opposition's suggestion that they will act constructively and examine proposals carefully. We will need to see how that progresses, but I hear what the hon. Member for Bradford South (Mr Sutcliffe) says.

The Government fully recognise that there are, and have been, many economic and cultural benefits from immigration. Under this Government, Britain is, and will remain, open for business, and in today's globalised economy we will ensure that we continue to attract the brightest and the best so that UK companies remain competitive and economic growth is supported. Several contributors have already highlighted that important point this afternoon.

We must also ensure, however, that migration is properly controlled, and we believe that we can reduce net migration without damaging our economy. We have committed to reduce the number of non-EU migrants, and we will shortly make our proposals, which will form a comprehensive package on all aspects of the immigration system, not only economic migration. This afternoon, I shall outline the challenges that we face and the context in which we will take those decisions.

Britain can continue to benefit from migration, provided it is controlled. That has been the broad tenor of this afternoon's contributions. We must manage the pace of change in local communities and the pressure on our public services, while ensuring that those who come to work or to study are those who will really benefit from it and who, in turn, will benefit our economy. As well as controlling migration, we also need to secure the border, and that is why the coalition Government are committed to establishing a national crime agency, including a border police command, which will enhance security and improve policing at the border, supporting e-borders, reintroducing exit checks and cracking down on abuse and on human trafficking.

I turn to the central issue of net migration. In August, the Office for National Statistics published the 2009 statistics, which showed an increase in net migration from 163,000 in 2008 to 196,000 in 2009, the figure to which the right hon. Member for Birkenhead referred. That follows the pattern of recent times. Between 1997 and 2009, net migration to Britain totalled more than 2.2 million people, more than twice the population of Birmingham. Such migration is unsustainable in terms of population growth and the consequent pressures on services and community cohesion. We therefore aim to reduce net migration to the levels of the 1990s—tens of thousands, not hundreds of thousands, each year by the end of this Parliament.

It has been suggested that we are wrong to focus on net migration figures because they contain the inward and outward flows of British and EU citizens, which we do not control. But, in recent years, those flows have largely cancelled each other out; the issue is that the number of non-EEA migrants arriving is exceeding the number leaving. In 2009, of the net migration of 196,000, about 184,000 were non-EEA migrants. Reducing non-EEA net numbers can therefore reduce net migration overall. That is why the coalition programme states specifically that we will introduce an annual cap on the number of non-EU economic migrants admitted into the UK and that we will introduce new measures to crack down on abuse of the immigration system.

We believe that the points-based system introduced by the previous Government provides a framework, but it evidently does not give us the control that we need to bring the annual net migration figure down to sustainable levels, as the 196,000 figure for net migration in 2009 illustrates. We need an approach that will not only get

immigration down to sustainable levels, but protect those businesses and institutions that are vital to our economy. That will not be easy and we will not be able to achieve it by focusing on just one area of the system or on one route into Britain. As the Home Affairs Committee report recently illustrated, we will need to take action on students, families and settlement as well as on people coming here to work.

We are already taking action on the economic routes. As the House knows, interim limits on economic migrants using the highly skilled and skilled migration routes under tiers 1 and 2 of the points-based system were introduced on 19 July. As Members will know, tier 1 is for highly skilled migrants with sufficient skills and expertise to qualify to come here and seek employment, while tier 2 caters for skilled workers who already have a job offer from a sponsoring employer in the UK. The limits were introduced to prevent a surge in applications during our consultation before we introduce our permanent limits in April 2011. They also set a reduction in numbers of 5%—of 1,300—compared with the same period in the previous year. That has been achieved.

We are, of course, aware that employers, businesses, universities and research institutes have raised issues about the operation of the interim limits. I assure the House that we will take account of those concerns in designing the permanent limit. The interim limit on tier 2 is based mainly on past allocations to individual employers, with a reserve pool for new requests. In many cases, though, employers and institutions have not yet used their allocations, and intra-company transfers are excluded from the interim limit to give additional flexibility.

We have also recently revised the criteria for issuing additional certificates of sponsorship to respond more flexibly to employers' needs. A particular concern that has been raised, including by my hon. Friend the Member for Carshalton and Wallington (Tom Brake) this afternoon, is the position of scientists and researchers. We are confident that next year's limit can be made to operate in a way that ensures that universities and research institutions are not prevented from recruiting top scientists and other workers with key skills.

Mr Frank Field: I apologise for not having been here for half an hour of the debate. I had a meeting that I wanted to keep, but I regret not having heard the speech made by my hon. Friend the Member for Bradford South (Mr Sutcliffe); I shall read it with interest tomorrow.

Net migration is almost 200,000. Surely it is not beyond the wit of man to cater for the legitimate demands expressed in the House today about industry's legitimate needs while meeting the Government's target of reducing the numbers to the 'teens of thousands?

James Brokenshire: I entirely agree with the right hon. Gentleman. I have made it clear that we want to attract the brightest and the best to this country. We believe that it is possible to introduce limits and take account of the concerns of business and of the scientific institutions to which I referred.

We consulted business and other interested parties extensively on how the limit should work, and more than 3,000 responded. We also asked the Migration Advisory Committee—the well-respected and independent advisory body on migration policy—to consult on what the limit should be, taking into account the economic and social impacts of migration. The MAC report has been published today. I thank David Metcalf and the other members of the committee for their very full and helpful report, which we will continue to study in great detail. We will consider its findings alongside the responses to our own consultation on how the limit should operate, and we will announce how it will work in the near future. I will not comment this afternoon on the detail of the committee's recommendations, as that would pre-empt the Government's final announcement, which will be made in due course. However, this is a complex issue, and it is vital that we consider the best and broadest advice, including the responses made to the Home Office's consultation on economic migration.

I now want to talk about the issue of intra-company transfers, which has been highlighted in the debate. Of course, we want companies to be able to transfer senior managers and specialists to enrich their UK operations. For that reason, the Prime Minister has already indicated that we have heard the concerns of business on this matter. However, in 2009 such transfers accounted for 22,000 migrants out of the 36,500 admitted through the tier 2 route, and about half of those 22,000 were in the IT sector—a point made by my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley). Given the numbers involved, we need to ensure that the ICT route is being used for its original purpose, and not to undercut regular jobs here, particularly in the IT sector. Last week, a study published by the Higher Education Careers Service Unit showed that graduate unemployment was highest among graduates in computer science, out of all the disciplines. We are therefore looking carefully at the rules on ICTs.

Mr Brazier: My hon. Friend is making a very powerful speech. Six years ago, a study showed that computer scientists and mathematicians enjoyed the greatest premium of all on graduating, so there has been an astonishing change in that sector of the market.

James Brokenshire: My hon. Friend makes that point, and that is why we are considering these issues very carefully.

Tom Brake: The balance at which the Government must arrive is one whereby the IT sector is addressed as the Minister wants but the Japanese ambassador's concerns that very senior engineers may not be able to come to the UK as part of an ICT arrangement, thereby stopping the creation of seven jobs in the UK, are taken into account.

James Brokenshire: My hon. Friend speaks with experience of the IT industry. He was involved in that industry before coming to this House, so he offers a fair degree of knowledge on this point. We are examining these issues extremely carefully in the context of the reforms and changes that will be made.

Employers have indicated to us that they are mainly concerned about the tier 2 route, rather than the tier 1 route. We know from recent research that looked at a sample of highly skilled migrants that nearly a third of tier 1 migrants did not find highly skilled work. An example of that is the individual who was issued with a tier 1 visa and later became duty manager at a well-known

[James Brokenshire]

high street chain of fried chicken restaurants. Perhaps that highlights some of the challenges involved in this matter. We cannot afford a mismatch between what employers need and the profile of those coming to this country. We will therefore have to ensure that those coming to do skilled work are undertaking a suitable job with a sponsoring employer.

At present, the minimum skills level for a job is a national vocational qualification level 3, and the English language requirements are at a basic level. In the shortage occupation list, some wage levels are as low as £7.80 an hour. The question that we need to consider carefully is whether that is really the right level of skilled migrant, when we have many unemployed people in this country. We believe that many employers are currently using migrant workers to fill vacancies because they cannot get the right people from the domestic or European labour market. That inability to recruit local talent is frustrating when we have people out of work in this country. That is why the Government are using their welfare reform policy to get people back to work. British employers need to be committed to developing a skills base here, and we need them to look first at people who are out of work and who are already in this country.

Andrea Leadsom (South Northamptonshire) (Con): In the job clubs that I have been running for some time in my constituency, countless people have said to me that it simply does not pay for them to get a part-time job of the sort that my hon. Friend talks about.

James Brokenshire *rose—*

Madam Deputy Speaker (Dawn Primarolo): Order. Before the Minister responds, may I very gently remind him and others that this is a Back-Bench debate, and that some nine Members who have been sitting patiently in the Chamber for quite a long time wish to participate? I think the Front Benchers need to take some notice of that.

James Brokenshire: I am very grateful for that reminder, Madam Deputy Speaker. It is certainly important that we have as many contributions on the subject as possible, so I will seek to be as quick as I can in addressing some of the points. However, I hope that you will appreciate that this is a debate of interest, and I will therefore seek to put it in context.

The hon. Member for Ealing, Southall (Mr Sharma) mentioned talented individuals and entrepreneurs, and we want to make Britain a more attractive destination for those people. Last year the UK attracted only 275 high-value investors and entrepreneurs. As the Prime Minister said recently, we will reform the rules for entrepreneurs so that:

"If you have a great business idea, and you receive serious investment from a leading investor, you are welcome to set up your business in our country".

Contributions have been made about students, and we know that work routes accounted for less than a quarter of the non-EU citizens entering Britain last year. The majority of non-EU migrants are in fact students. Including their dependants, they account for about two thirds of the visas issued last year under the points-based system. Many come here to study courses below degree level, and we have to question whether they are the brightest and best that Britain wants to attract.

Home Office data on compliance and student behaviour show that students studying in privately funded colleagues are much more likely not to have left the country after their visa expired than their counterparts in universities. Although we need to preserve our world-class academic institutions above and below degree level, we also need to stop abuses. I know that other Members have made that point.

We must also consider the issue of temporary versus permanent settlement. We realise that some argue that many of the workers and students who come here are temporary migrants who return home. However, in many cases that is not true. Of the skilled non-European economic area workers who came here in 2004, 40% were still here by 2009 and 30% had settled. We will need to return to that important issue.

Clearly change is seldom easy, particularly for those who have benefited directly from the current system, but if we do not create wider public confidence in our immigration system, public concern about immigration and social tensions will only increase. This Government are determined to create an immigration system that controls migration for the benefit of everyone in this country, and we shall bring forward our specific measures shortly once we have had a chance to consider all the points raised in the consultation, including here today.

3.44 pm

Tracey Crouch (Chatham and Aylesford) (Con): As a new Member speaking in a debate that has been called as part of a new process, I must confess that it feels a bit odd to be speaking after the Minister and the shadow Minister have summed up the debate thus far. I am in no doubt that my contribution and those of hon. Members still to come will encourage the shadow Minister to offer more than just cautious support for the Government.

I congratulate the right hon. Member for Birkenhead (Mr Field) and my hon. Friend the Member for Mid Sussex (Nicholas Soames) on securing the debate. I also congratulate the right hon. Gentleman on his excellent speech, with which many people on both sides of the House will have agreed. I record my appreciation of the fact that the Backbench Business Committee has secured time in the Chamber to discuss this issue, which has been a key concern for some time in my constituency and across the country.

I am proud of the British sense of tolerance and the generous manner with which we have welcomed a great many people to our country over hundreds of years. The vast majority of those who come to the UK make a valid contribution to our society and enhance our multicultural credentials, which I value very much. Although I am proud of our tolerance, however, I am acutely aware, unlike the previous Government, of the fact that our generosity has been overstretched.

I appreciate that the right hon. Member for Leicester East (Keith Vaz) is elsewhere in the House, but given his earlier intervention, I am sure that he will be delighted to read in *Hansard* tomorrow that I intend to focus the majority of my comments on EU immigration. Our

porous border controls have materialised into a considerable problem across the country, but welcoming vast numbers of migrants from eastern Europe into the country with no thought to their integration or the sustainability of our public services has proved incredibly short-sighted. At the time, Opposition Front Benchers warned of the impacts of uncontrolled immigration from eastern European countries. The then Home Secretary gave reassurances that despite the high estimates of net migration for 2004 and beyond, the country was well placed to accommodate new migrants. In fact, net migration for that period dwarfed those estimates, and net immigration totalled nearly 244,000 in that year.

At the time, we were shielded from the true effect of that drastic and sudden increase by our economy's relatively good health. A booming construction industry soaked up many accession migrants seeking work, and our public services were able to cope with the unprecedented strain. Now, however, our economy finds itself in a weaker, less prosperous position, competition in the job market is high, demand for housing continues to rise, and our health and education services are struggling to meet the demands of a growing population. With a substantially different economic outlook, with slower growth predicted and with pressures on public services, the decision to welcome such a high number of EU migrants to our country is cast in a rather unflattering light.

That is most evident in deprived wards. Two of the most deprived wards in the country fall within my constituency. Tensions there run high and social divisions are deep. That is partly down to the fact that those who are on low incomes or who are welfare dependent feel themselves to be in direct competition with, if not threatened by, new migrants arriving in the neighbourhood. Indeed, constituents from those areas contact me regularly, deeply concerned at the impact of the unprecedented scale of immigration into the area, and they specifically cite people from eastern Europe. They have real concerns about their communities, about the erosion of traditions, language and heritage, about the added strain on our public services—education, welfare, housing and health care—and about heightened competition in the job market.

The impact on public services is becoming acutely obvious in my constituency. I was recently shocked to learn of a primary school in one of the deprived wards in my constituency suffering from a vast influx of eastern European migrants and reporting that almost 40% of its pupils did not have English as a first language. I appreciate that that figure is considerably higher in other wards across the country, but it is new for parts of Chatham. Furthermore, we have found that the migrant community is less settled, creating a worrying inflow and outflow of pupils during the school year. There is a genuine concern that such volatility will have an adverse effect on children's schooling because teachers are unable to plan properly, based on full-term and yearly educational progress.

The impact of migration and of the significant number of pupils in the area who do not have English as a first language is illustrated in the percentage of pupils achieving level 4 in English at key stage 2. In the four years following EU enlargement in 2004, those percentages dropped significantly from 70% to 61%, a trend completely at odds with that in the rest of my constituency and the country. Importantly, it is not the quality of teaching that is in question. If one compares those percentages with those for pupils who achieved the equivalent grade in maths and science, one does not find a similar fall in achievement.

Similarly, the cost of Kent police's translation services increased by some 30% between 2004 and 2007 to more than £420,000, according to figures reported in my local press. My constituents will interpret that those figures are a direct result of the rapid increase in net migration, and their assumptions would not be unfounded. Following a recent freedom of information request, Kent police confirmed that the top five languages required by its translation services in the past four years were those of countries that joined the EU in 2004, with the exception of Russian.

In one ward in my constituency, Chatham Central, there is growing tension between the eastern European migrant population and their native counterparts. Divisions are not limited to culture; there are also geographical boundaries. Migrants occupy and dominate certain areas, making them no-go areas for neighbouring residents. Those areas are typified by multiple-occupancy homes, antisocial behaviour and high levels of criminal activity, which makes life for those who have lived in the area for many years unbearable—I am afraid to say that it also makes them hostile to immigrants. That is clearly a concern, and efforts have been made by the local authority, in partnership with community groups, the local police and their excellent community support officers, to help to ameliorate the divisions. Regular seminars, development programmes and cultural events are held, but we are still in the early days, and measuring the success of those events will be key.

Following on from that is the issue of integration, which other hon. Members have spoken about. Integration is viewed by some immigrants as a scheme from which they can opt out, which is quite simply not good enough. We cannot aspire to cohesive communities without wilful integration, and we must do more to ensure that it happens. One of the EU's common basic principles on integration states:

> "Basic knowledge of the host society's language, history, and institutions is indispensable to integration; enabling immigrants to acquire this basic knowledge is essential to successful integration."

As the host nation, we have a duty to enable migrants to acquire the basic knowledge to integrate successfully, but we must stress that that is very much a two-way relationship. Far too often, immigrants have arrived with no intention of learning the basic tenets of our society, despite our attempts to allow that to happen. That reflects the majority of views that have been expressed to me on the doorstep and in local resident association meetings in my constituency, where communities in deprived areas are characterised—sadly—by an us-and-them approach.

In conclusion, I reiterate that immigration is a good thing for our country as long as we have the right to exercise control over our borders. Controlled immigration can help to stimulate an economy while enriching the fabric of our society, but for too long it has been assumed that we cannot control the inflow of immigrants, and our public services suffer as a result. That is why my constituents and I welcome the Government's ambition to restore net migration to the levels of the 1990s.

Sajid Javid: My hon. Friend rightly identifies the issue of the supply of EU migrants. However, on the other side of the coin, there is a demand problem. One local farmer to whom I was chatting recently in my constituency of Bromsgrove told me that of his 60 employees, 54 are from the EU, mostly from Poland. He has found it very difficult to hire local workers. Does my hon. Friend agree that the Government's approach—a universal benefit, other welfare changes, the skills strategy and so on—will make a difference on the demand side and help the situation?

Tracey Crouch: Welfare reform and the demand for proper provision of opportunities have been touched on in this debate. When I was at university and studying for my A-levels, I worked in McDonald's. At the time, there were very few non-British people working there, but now it is very difficult for young people seeking employment in the service sector to get a job, whether in McDonald's or a sandwich chain. There has to be a balance between the provision of opportunities and a sensible approach to welfare reform that can encourage people to take all the opportunities available.

It is important that we are brave on EU immigration—indeed, we must be brave—and provide for future conditions, even if that means renegotiation in relation to those wishing to come to the UK. Like the right hon. Member for Birkenhead and my hon. Friend the Member for Mid Sussex, I recognise that welfare reform will play its part in that process, but we cannot rely on that alone to reduce the numbers of people wishing to make the most of the services that the UK provides. It is important that local authorities and community partners receive support to help promote integration and cohesion in communities suffering from social divides and tensions, but that needs to be done much better.

Finally, I am sure that our constituents will all welcome this sensible and constructive debate on what can be a sensitive issue, and I join others in calling on the Government to take note of the comments made in the Chamber today.

3.56 pm

Robert Halfon (Harlow) (Con): I congratulate the right hon. Member for Birkenhead (Mr Field). It frightens me, given that he sits on the Labour Benches, how often I agree with his sentiments, not just about immigration but about welfare, education and many other issues.

I am not here just to talk about the immigration chaos of the past 15 years or so, because colleagues on both sides of the House have discussed the human and economic issues. Clearly, this debate is not just about process and numbers. We seem to face a much deeper problem than just the number of people coming to the United Kingdom. This debate is also about how we support, resource and recognise those in charge of protecting our borders. In many ways, the immigration service has become the forgotten service, and that will be the focus of my remarks.

During his Labour party leadership campaign, the shadow Home Secretary, the right hon. Member for Morley and Outwood (Ed Balls), accepted that Labour's arguments on immigration had not been good enough. Immigration officers have been telling us that for some time. In May 2009, Mr Mike Whiting wrote a letter to *The Times* saying that the Labour party's reforms had

"devastated the visa officer network that successfully operated for many years."

Then in April 2010, just days after the last Government publicly hardened their stance on immigration, it was revealed that they were also seeking to cut the number of immigration officers. That is despite a quadrupling of immigration on their watch. An e-mail that was leaked at the time stated:

"A Voluntary Early Release Scheme will be launched in selected parts of the UK Border Agency... There is an opportunity to make targeted reductions across the Border Force."

The e-mail claimed that the policy would not "impact on front-line services". However, clearly immigration officers are, quite literally, the front line, because they physically guard the borders of the British Isles.

From such evidence a picture slowly emerges. Under the last Government, the immigration service was at best neglected by Ministers, but at worst it was treated with contempt. It was only two years ago that a Labour Home Office Minister, the hon. Member for Slough (Fiona Mactaggart), who was in the Chamber earlier, described immigration officers in somewhat unparliamentary language. This was reported online by the BBC on 29 November 2008:

"UK immigration officials have been on the receiving end of a four-letter outburst by former Home Office minister",

the hon. Member for Slough, who

"told a conference of a Labour think tank that the job could corrupt 'even quite good and moral' people."

She apparently then said:

"One of the reasons immigration officers are"

s***s

"is actually because some people cheat and they decide everyone is like that".

That is wrong, wrong, wrong. It seems astonishing that senior Labour figures could trash immigration officers when it was their Government who caused the immigration chaos in the first place.

If those were stand-alone comments, that would be bad enough, but the hon. Lady was backed up by the Labour MEP Claude Moraes, who rounded on immigration officers, complaining about their professional standards. However, they are paid a modest income compared with other parts of the public sector. Their entry-level salary in London is less than £15,000 a year, and during the past 13 years they have suffered a loss not just in working conditions, but in prestige. The symbol of that is that they were not awarded the golden jubilee medal, unlike those in almost every other comparable area of the public sector. That is why I call the immigration service the forgotten service.

As the House will know, eligibility for the Queen's golden jubilee medal was initially restricted to the armed forces and the Royal Fleet Auxiliary Service. It was then extended to include the police, fire and ambulance services, the coastguard, the Royal National Lifeboat Institution and the mountain rescue service. The right hon. Member for Dulwich and West Norwood (Tessa Jowell), the then Culture Secretary, explained that she had taken that decision because 11 September had highlighted the vital role of the emergency services and the risks that they face. The golden jubilee medal now recognises those who face a potential threat of injury or worse each time they are called out in response to 999 calls. In 2003, the golden jubilee medal was extended to

living holders of the Victoria cross and the George cross. In 2005—an election year—Labour took the additional decision to award the golden jubilee medal to public sector prison officers. Speaking to prison officers, Baroness Scotland stated:

"The Prison Service is a key public service, whose greatest achievements often go unseen by the general public. In times of emergencies you rise to the challenge with great skill and professionalism, and these medals recognise that."

The House will know that such medals have been given out at every coronation ceremony since Queen Victoria's golden jubilee in 1887, and they have a rich civilian history. For example, the recipients of King George V's silver jubilee medal in 1935 included members of the judiciary, members of the clergy and religious sisterhoods, teachers, physicians and, according to an ancient copy of *Hansard*, "mail couriers" and "lighthouse tenders". In 1977, the Queen's silver jubilee medal was awarded to many other civilian groups, including the police, firemen and women, social workers, health visitors and the civil service.

The key criterion for getting the golden jubilee medal seemed to be that one had risked one's life for Britain, especially in the face of potential terrorist attacks. Immigration officers do not just protect our borders; they are also on the front line against terrorism. Whenever there has been a crisis, such as when there were hijackers at Stansted airport, it has been immigration officers who have been called on to deal with the resulting emergency. In the attack on Glasgow international airport in 2007, they were first on the scene. In 2001, for instance, two officers serving abroad in Nigeria were attacked with gunfire on their return from work one day. Sadly, that has become an all-too-frequent occurrence. Those are just a few examples of the daily risks and sacrifices that we ask of immigration officers.

To quote Baroness Scotland again, when she announced why the Prison Service was being awarded the golden jubilee medal, she said that it was

"a key public service, whose greatest achievements often go unseen by the general public. In times of emergencies you rise to the challenge with great skill and professionalism".

Surely that is true of our immigration service too. That is why I have written to the Secretary of State for Culture, Olympics, Media and Sport asking him to consider awarding immigration officers the diamond jubilee medal in 2012. I have also asked him to consider retrospectively awarding them the golden jubilee medal. The first ever early-day motion that I tabled—early-day motion 114—was on that issue, which was also the subject of the first question that I asked in Parliament.

In conclusion—

Stephen Pound: I apologise for interrupting the hon. Gentleman, and I appreciate that he had come to his conclusion. With reference to his earlier comments about my hon. Friend the Member for Slough (Fiona Mactaggart), may I confirm for the benefit of the House and the way in which things are done here, that he had the courtesy to inform her that he intended to name her in the Chamber this afternoon?

Robert Halfon: I did not inform the hon. Lady, because I did not know that I was supposed to do so. I apologise to the House, and I will write a letter of apology to her.

In conclusion, it is bad enough that Labour cut the number of immigration officers, and that at the same time they opened the floodgates and allowed the number of migrants to quadruple, it is bad enough that the previous Government did not always speak of the service with decency and respect, and it is bad enough that every day the immigration service must face the rising threat of terror from extremist bombers and separatists, but it is unacceptable that immigration officers have not been given the recognition they so richly deserve, and have not been awarded the golden jubilee medal. Their work of keeping our borders secure against great odds and on low pay deserves a public honour. Since I started this campaign in Parliament, more than 50 immigration officers have written to me independently, expressing their support. I am proud to say that many of them live in and around my constituency, as they work at Stansted airport.

I shall finish by quoting one of those letters from an official. He said:

"I have served as an Immigration Officer for over 25 years. We play an important role in the fight against terrorism, smuggling, people trafficking, crime and illegal entry.

During my own service I recall officers being called upon to assist with emergencies such as...The Herald of Free Enterprise disaster...The return of hostages from Kuwait...Hostage emergencies at Stansted...Deployments to Kosovo, the Czech Republic and Iraq.

Whilst Prison Officers won their battle to receive the Golden Jubilee medal, nobody considered immigration officers. Not surprisingly we feel we are the Forgotten Service, called upon when needed, cast aside when convenient."

The immigration service has been forgotten for too long. For the sake of common decency, public sector morale and recognition of that service, I hope that the Government will right this wrong as soon as possible.

Jacob Rees-Mogg (North East Somerset) (Con): On a point of order, Madam Deputy Speaker. Will you clarify the forms of the House when hon. Members refer to other hon. Members who are not present? My understanding from perusing "Erskine May" is that hon. Members should notify another hon. Member if they make a personal attack, but not if it is the cut and thrust of political debate. I understood that what my hon. Friend the Member for Harlow (Robert Halfon) said was the cut and thrust of political debate.

Madam Deputy Speaker (Dawn Primarolo): The ruling is that it is common courtesy that before one hon. Member refers to another hon. Member—particularly to that Member's conduct, which is a matter for debate—the hon. Member who is commenting on the other hon. Member's conduct should notify them. This is not a matter for the Chair, but it is a matter of common courtesies and how Members are expected to behave.

Mr Frank Field : *rose—*

Madam Deputy Speaker: Order. I hope that we are not going to have a long series of points of order.

Mr Field: I think that some hon. Members do not know the rule. I was attacked by an hon. Member on my side of the House, and she much regretted that she had not known the rules. It may be a surprise that someone on my side attacked me, but I accepted that no one had told her about the rules of this place.

Madam Deputy Speaker: As the right hon. Gentleman knows, that is an interesting point of information which is now on the record, but it is not a point of order. He also knows that there is an obligation on Members of the House to acquaint themselves with the common courtesies and rules of debate in the Chamber. Perhaps we can now move on to the next speaker.

4.9 pm

Christopher Pincher (Tamworth) (Con): Let me assure the House, and certainly the right hon. Member for Birkenhead (Mr Field), that I have no intention of attacking anyone. I should also like to thank the Minister for his accelerated denouement, which has given all Members the opportunity to speak if they wish to do so.

I was interested to hear from the right hon. Gentleman and my hon. Friend the Member for Carshalton and Wallington (Tom Brake) that this issue had not been debated in the House before, but I was perhaps not surprised, given that this is one of the most sensitive debates we could have. As a result, we have too often shied away from it. It has been taboo—beyond the pale for mentionable conversation. We have only recently discovered that, unless we are prepared to talk about it sensibly, openly and honestly on the Floor of the House, we cede the debate and the concern of the public to the rather more unsavoury voices that, thankfully, we do not have in this House.

I congratulate the right hon. Gentleman on securing the debate; he has been buried under bouquets this afternoon. I hope that, as a result of it, we in the House and people out in the country will be able to see the undoubted benefits that the country has gained from immigration without forgetting the undoubted problems that are attendant on large-scale, uncontrolled, unconsidered immigration. There is no doubt that we have benefited from immigration to this country, be it in science, the arts, comedy or cooking. I prefer eating to cooking, but there is no doubt that, culturally, we have had a massive stimulus as a result of immigration. Beyond that, many people have come to our country down the years and got jobs or started businesses. They have got involved in the community and paid their taxes; they have done all the things that we should all try to do to be part of the big society.

Over the past 15 or so years, however, the myth has developed that uncontrolled immigration has been an unalloyed economic benefit to this country. That myth needs to be exploded. We are told that cheap labour is good for us, and migrants tend to be cheap. They come here and they do jobs that other people do not want to do, and they accept wages that other people will not accept. They provide a service at low cost and everyone is happy, but that masks the price of immigration, and we need to recognise that price. It is undoubtedly true that immigration keeps wage inflation down, but it also keeps a lid on productivity. If employers can import more and more cheap labour into this country, they will have less and less incentive to be more productive in their business. As a competitive model, that is unsustainable.

It is therefore incumbent on the Government not to turn a blind eye to businesses that are importing large-scale cheap labour. Those businesses that import illegal immigrants should be fined and the illegal immigrants sent home. We need to send a message to businesses and to the people who should not be here that they cannot profit by getting around the law. That is a very important message to send. Unless we do that, we will inspire slackness in business and resentment among hard-working, tax-paying, law-abiding people, as I think the right hon. Member for Southampton, Itchen (Mr Denham) recognised in his constituency some years ago.

We must, however, draw a distinction between those people who want to come here to provide labour for jobs that no one else wants to do and those who want to come here at the behest of their employers or putative employers to provide highly skilled labour for an extended period. We need those people in this country, and I was therefore pleased when the Prime Minister made it clear that Britain was open to business and that we would allow the best talents to come to this country to help us to shape our economy, and to provide businesses with a cutting edge to compete in the global marketplace.

Mr Andrew Turner (Isle of Wight) (Con): Before my hon. Friend continues down that road, I would like to ask him whether he considers migration from outside the European Union to be just as worrying—or as good, depending on where someone is—as migration from within the European Union.

Christopher Pincher: I am pleased to respond to my hon. Friend, and I think it depends on the jobs that people are coming here to do.

I was pleased to hear that the Minister was prepared to look at intra-company transfers to ensure that we do not disbenefit companies that want to bring employees into Britain to help the outsourcing industry—for example, by transferring employees into companies through the Transfer of Undertakings (Protection of Employment) Regulations. We need to bring into Britain people from the Asian subcontinent, for example, who have good IT skills and understand the ethos of the companies to which they belong in order to train up those employees transferred through TUPE. It is important to recognise that the outsourcing industry needs transferable people with transferable skills moving around the world to help British businesses do business wherever they need to do it.

We also recognise that immigration can bring economic problems, and infrastructure is another issue, to which other hon. Members have alluded. Anyone reading the House of Lords Economic Affairs report, to which the noble Lord Lawson contributed—it shows the effect of large-scale immigration on housing, transport, health care and so forth—would realise that there are real issues that must be addressed.

Still another issue is social tension. We have all engaged in electioneering over the last six months. We have been knocking on doors and meeting our constituents. Cumulatively, we must have met thousands of them. Since then, we have received e-mails and letters from our constituents running into the thousands. If we are honest with each other, we will surely admit that one of the key issues that constituents continually raise with us is their worry about immigration. They are frustrated and concerned. They are frustrated because they believe that the last Government refused to recognise their legitimate concerns about large-scale immigration; and they are worried, frankly, that the new Government will also ignore them.

Having read the coalition agreement, I can say in all candour that the new Government are moving in the right direction when it comes to listening to people's concerns. I do not mean that simply because we are introducing an immigration cap, which sends a message to the country and beyond that we are serious about immigration controls; because we are tightening up the student visa system, which was badly abused under the last Government; because we are introducing a border police force to protect our borders and ensure that those parts and ports of the country that lack protection will subsequently have it; or because we are insisting on minimum language skills so that people who come here can work and integrate. The most important thing the Government are doing as part of the coalition agreement to meet the challenge of uncontrolled immigration is to take control of the welfare system.

Our welfare system—"system" is a neat word to describe what is really a mess—costs us £194 billion a year, and it has locked hundreds of thousands of people into dependency by making it economically senseless for them to work. As a result, there are vacancies. To fill them, employers look for employees in all sorts of places, including abroad. The vacancies act as a magnet for people abroad to come and try their luck in Britain. It makes absolutely no sense to make hundreds of thousands of people not work—effectively, to pay them not to work—while importing hundreds of thousands more people to fill the gap in the labour market. As we know, those people place a strain on our social infrastructure, the fabric of our country.

I think that the Government are doing exactly the right thing with the Work programme, which aims slowly, steadily and surely to return people to work, to choke off the demand for labour, and at the same time to introduce stringent controls to stem the supply of immigrant labour. Getting that balance right is the way to deal with our uncontrolled immigration, and the Government have got it right. They are introducing a workable, fair system which, crucially, emphasises the importance of British workers getting into work and British businesses acting responsibly, as well as the importance of controlling inflow.

When he was Leader of the Opposition, the Prime Minister said that he wanted to take control of the immigration problem and deal with it quickly and effectively, so that we would no longer describe it as an issue. That is a sound and sensible aim. I believe that the approach that the Government are now taking is correct, and I commend it. I look forward to hearing less about this issue in future, but if we do have to talk about it, I hope that we will talk about it in the same sensible way.

Jacob Rees-Mogg: Will my hon. Friend say a little more about European emigration into this country, about how he thinks the Government ought to cope with new additions to the European Union, and about whether their entry could be rather more staged?

Christopher Pincher: As my hon. Friend will know, article 21 of the EU treaty means that we are unable to stop the free movement of EU citizens to countries that are already members of the EU. As for new entrants, we need to establish transitional rules to ensure that we do not have to admit the hundreds of thousands of Poles, Romanians and Bulgarians whom we have unfortunately had to accept in the past five or six years because the last Government did not introduce such controls.

The steps taken by the Government so far are fair, workable and balanced. As I said, I look forward to hearing less about this issue in future, but if we do have to hear about it, I hope that it will be discussed in the same sensible, balanced way in which it has been discussed today.

4.22 pm

Stephen Phillips (Sleaford and North Hykeham) (Con): This is an important debate. The House will be aware that for much of the last century, and certainly under Governments who have approached the issue of immigration responsibly, the United Kingdom has taken a twin-track approach to the issue, limiting the number of those entering the country to appropriate levels while ensuring that new arrivals are properly integrated into British society. That approach worked very well until, perhaps, 1997, when—as Members in all parts of the House will know—net migration began to rise sharply, remaining high throughout the duration of both the Blair and Brown Governments. It is principally that rise that has led to the significant public concern to which the motion refers.

As the right hon. Member for Birkenhead (Mr Field) observed at the beginning of the debate, this is all about numbers. The fact remains, for those of us who are concerned about immigration into this country, that the figures are very stark. As the House has already heard today, provisional figures for net migration during 2009 indicate an influx of approximately 196,000. That is a great number of people, enough to fill the Emirates stadium—which I visit on many Saturdays—three times over with some to spare. It is a figure that many, including me—and, as we heard earlier, the Minister and the Government—regard as unsustainable. It is unsustainable both in terms of the integration into this country of those who are coming here and in terms of the pressure that this level of net immigration has placed on our public services at a time of considerable economic uncertainty.

As a number of Members have observed in the debate, this is not only an important point, but it is, perhaps, the crux of the issue. All of us have recently gone through a general election, and all of us have therefore heard on the doorsteps in our constituencies quite how important the issue of immigration is to our constituents. Indeed, it was not just an important issue at the general election; it is an important issue today, as the contents of all of our postbags testify.

I therefore congratulate the right hon. Member for Birkenhead—and my hon. Friend the Member for Mid Sussex (Nicholas Soames), who unfortunately is unable to be here today—on securing the debate. I also congratulate the Backbench Business Committee on the work it has done in ensuring that this important issue is discussed—for, as I now understand, the first time within the living memory of any Member of this Parliament. That might not be quite as bad a situation as my hon. Friend the Member for Tamworth (Christopher Pincher) suggested in his remarks, but it is none the less very bad. Perhaps for the first time in a generation, we are having a proper debate in this country, without labels like "racist" and

[Stephen Phillips]

"racism" being bandied around, about what sort of immigration we want, what sort of country we wish to live in, and how we are to deal with what will be an increasingly important issue during the course of the 21st century as the world becomes ever flatter.

The important question is not, perhaps, merely one of numbers. It is, rather, how we as a society can maximise the benefits that immigration brings while minimising the strain on our public services, which have been stretched to breaking point by the uncontrolled immigration presided over by the last Labour Government, and which the previous Prime Minister and his predecessor permitted to occur.

The current Government are, in my judgment, entirely right to say we cannot, and should not, entirely halt immigration into this country. However, we have to bring down net immigration to a level that is reasonable, sustainable and capable of being supported by our constituents. We need to take this approach not just because, as a number of Members have said, we have always been a tolerant and reasonable society, but more because it is in our own interests to continue to attract the best and brightest to study and work in the United Kingdom, while ensuring that we do not place an unacceptable strain on our resources or overburden our peculiarly welcoming nature as a society.

These issues are particularly acute in my constituency of Sleaford and North Hykeham. To those of us who live in rural Britain, their significance is obvious. For communities like mine, an influx of migrants can increase the population in ways that existing public services find it difficult to cope with, and that serve to foment resentment and lead to the rise of extremist politics—a rise which all Members of this House would deplore. The last Labour Government, with their focus on urban, rather than rural, Britain, wholly failed to understand or grapple with that aspect when they came to consider the question of immigration.

Going forward, we must ensure that those entering this country to work provide skills that we do not have in our own work force. We have heard something of that in the debate, and we need to ensure that it is the case, particularly at a time when we are trying to get our own people into work as the size of the public sector reduces and unemployment rears its head again. The whole House will appreciate, and as is evident from this debate does appreciate, the benefits of workers from other countries filling the skills gaps in our economy. As other hon. Members have said, those gaps were too often created by the previous Government's poor policies on higher education.

However, what we need to do throughout is to look closely at why those rushing to this country are willing to fill vacancies for which they say they have the skills, while those within this country who might already have those skills are not willing to fill those vacancies. In general terms it would be difficult to disagree with the proposition that the best way to boost our economy must be to incentivise the people already in the country—the people who are already British—to learn new skills, rather than to bring skills in from overseas and possibly, as my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) hinted, to depress the wages of United Kingdom workers artificially as a result.

For all those reasons, what we have heard from the Minister today has been very welcome. I support the introduction of a limit on non-European economic area immigration, as I believe do most in the House. Reducing the number of immigrants from hundreds of thousands to the tens of thousands about which the Government are talking seems vital to ensure that we have a proper balance between the economic benefits of immigration and the sustainable use of our public services.

Jacob Rees-Mogg: I wish to raise, once again, the point of immigration from the European Union and whether it is realistic just to focus on immigration from outside the EEA or whether we have to look at our treaty obligations to the EU. I know that my hon. and learned Friend is a member of the European Scrutiny Committee and pays close attention to these matters.

Stephen Phillips: Of course I must tell the House that my hon. Friend knows that because he serves on the same Committee, and this is indeed an issue about which he and I are concerned. He knows the current position, as indeed does the whole House, which results from our treaty obligations arising out of our membership of the European Union. There is very little we can do—it might be nothing—about migration from existing EU countries. As he is aware, this has become a difficulty in our country as a result of the limits that other EU members imposed on migration from new EU countries. The previous Government decided not to impose those limits here and, as a result, there was considerable resentment in our constituencies as migrants who might have headed for France or Germany made for the United Kingdom when the states of which they were citizens joined the European Union. This is perhaps not the focus of today's debate, but there is no doubt that as and when further states join the EU, the Government of the day will have to grapple with this issue properly. They will have to show a courage that was not displayed by the previous Government to ensure that limits are placed on those who can come from new member states of the EU to this country. I am grateful for my hon. Friend's intervention and I believe that he and I agree on this matter, as I suspect many Members of this House now do.

The points-based system has, to some extent, if not largely, failed to provide sufficient control over immigration to bring numbers down, as demonstrated by not only the figures to which I have alluded, but the position that prevailed under the previous Government for the majority of their time in power. In terms of social cohesion, we simply cannot afford not to have effective immigration controls in place in an increasingly globalised world. All in this House—I believe this is common ground on both sides—have a responsibility to restore the public's faith in the immigration system by ensuring that those conditions are in place.

The lack of faith that we have witnessed among the public and our constituents has made it all too easy for people to blame new arrivals for social problems in their communities. Effective controls will allow us to face down those from the right and the out-and-out racists and to defeat the all-too-often expressed views that immigrants are a danger to our society—a view that is wholly inconsistent with the past, with the tolerant nature of our society, with the needs of a 21st century Britain and with our need to trade in a globalised economy and an ever-flatter world.

I believe that it is crucial that we should achieve in this Parliament a sustainable level of immigration. We had under the previous Government what often appeared to be—even if it was not—an open-door policy. I was heartened to hear the hon. Member for Ealing, Southall (Mr Sharma) say that nobody on either side of the House any longer believes that to be appropriate. For my part, I have nothing but praise for how the Government have begun to address the entire issue—for the first time, I believe, in more than a decade—in an open and responsible way that shows that we are listening to the concerns of our constituents and of the British people and that ensures that we are dealing with the porous borders and the open-door immigration policy of the last Labour Government. For that reason, and for all those that I have given in my speech, I intend to support the motion.

4.36 pm

Graham Evans (Weaver Vale) (Con): I am pleased to have the chance to talk on such a vital topic. For far too long, politicians of all parties have ducked debating immigration and, in my view, that has done Britain considerable damage over the past few years. I therefore congratulate the Backbench Business Committee on organising this debate, which is an important step forward. I pay tribute to the right hon. Member for Birkenhead (Mr Field), who is a near neighbour of mine on the Mersey estuary. I was a long-time admirer of his before I joined the House. Like the Prime Minister, I want immigration to cease being a political issue. We certainly cannot achieve that by deliberately ignoring it or shrilly shouting down anyone who tries to raise it, but we can achieve it through calm and sensible public discussion.

To my mind, there are three areas of overwhelming public concern that need to be addressed: enforcement, integration and pressures on public services. Unless we have faith in our ability to control our borders, immigration will inevitably remain a major concern for many of my constituents. It is right that the Government are creating a border police force, but if we are to get to grips with enforcement, the UK Border Agency must become more efficient. My hon. Friend the Member for Harlow (Robert Halfon) talked eloquently about the staff who man those borders. I recently went on a trip to Auschwitz with a group of schoolchildren from my constituency and from the north-west. When we landed at Krakow airport, we were under no illusions about who was in charge, which I found quite ironic given the number of Poles that come to our country and the fact that we were only there on a day trip. I believe that the idea of a uniformed force—and, dare I say it, even an armed force—as a welcoming committee should be discussed.

There are still hundreds of thousands of outstanding cases, however, with many applicants waiting years for a decision. That regrettable hangover from the years of Labour mismanagement not only undermines faith in the system but is deeply unfair on those left waiting, not knowing whether they are coming or going, unable to plan for the future and truly to integrate into society. Decisions on applications must be reached quickly and fairly, a point that was made earlier.

Let me turn to the issue of integration. It is a concern of mine that in some of our towns and cities there are real divisions along racial, cultural and religious lines. A few years ago, the head of the Equality and Human Rights Commission, Trevor Phillips, expressed his concern that Britain was sleepwalking into segregation. Such divisions are deeply unhealthy and need to be tackled head-on.

In my view, instead of the phoney posturing about Britishness of which the previous Government were so fond, we should focus on the biggest barriers to integration, such as language. Making learning English an absolute requirement for those who wish to settle here will not only strengthen community cohesion but help to reduce pressure on our public services. Studies have shown a strong correlation between poor school performance and the number of children on the roll who come from homes in which English is a second language. That is just one of the many additional pressures that high levels of immigration have placed on our public services. My conversations with many of my constituents have left me in no doubt that the main reason for public concern about immigration is the pressure that it places on our schools, hospitals and housing. People are frustrated that for the past 13 years, Labour Ministers have seemed completely oblivious to those pressures, particularly on housing. I recommend that hon. Members read "The New East End"—an excellent study on this subject that was carried out not far away in Tower Hamlets.

It is vital to balance the need to reduce those pressures against the need for specialist, highly skilled workers. Earlier, I asked a question about Daresbury science and innovation campus, which is an outstanding institution in my constituency. It is an international campus that relies totally on attracting the brightest and best scientists from around the world. For that to be successful, we have to look outwards and allow people from all over the world to access it. I am concerned that that might not have happened under previous Administrations, but it is vital to allow the brightest and best to access our universities and businesses.

I would be interested to consider more closely the suggestion of my hon. Friend the Member for Grantham and Stamford (Nick Boles) about surety deposits, with discounts for immigrants with particularly sought-after skills. That would allow businesses to benefit while new migrants pay their way for public services. It would also help to reduce the sense of unfairness that some feel about free-riders getting immediate access to schools and hospitals without having contributed through taxes.

I conclude by supporting the motion wholeheartedly. Those of us who believe in the values of one-nation conservatism know that we need to be more effective in managing migration if we are to be a truly united kingdom.

4.41 pm

Gavin Barwell (Croydon Central) (Con): I, too, congratulate the right hon. Member for Birkenhead (Mr Field), my hon. Friend the Member for Mid Sussex (Nicholas Soames) and the Backbench Business Committee on securing the debate. Many of my constituents, including many in black and minority ethnic communities, are highly concerned about current immigration levels. It is essential that their concerns are addressed on the Floor of the House and by the mainstream political parties, because if they are not extremists will exploit the issue.

There have been a number of high-quality speeches today. I hope that my hon. Friends sitting around me will forgive my singling out the speeches of my right

[Gavin Barwell]

hon. Friend the Member for Hitchin and Harpenden (Mr Lilley) and the hon. Member for Lewisham East (Heidi Alexander), who is not in her place but who had the courage to approach the issue from a different perspective.

I start by talking about my home town. It is predicted that at the time of the next census, 42% of Croydon's population will be from black and minority ethnic communities. Within that figure, there will be significant black Caribbean, black African, Indian, Pakistani, Bangladeshi and other communities, and it will be the 11th-highest among local authorities in the country. My constituency is fairly representative of the borough as a whole, which is predicted to have a BME population of just over 40% at that time. I suspect that that figure will be the highest among Government Members.

It is important to note that people generally get on very well in my area. The recent Place survey showed that 77% think that people in Croydon from different backgrounds get on well together. That figure is higher than the London average and the national average and it has improved on the figure from two years ago, which is in sharp contrast with the situation in many other parts of the country.

There is a significant UK Border Agency presence in my constituency. The previous Government decided that anyone who wants to claim asylum has to do so in person in my constituency—the Minister will not be surprised to hear that I shall return to that point later—and as a result, immigration and asylum issues dominate my casework. There are three groups of people who contact me. First, there are those who are concerned about the pace of change in Croydon. Secondly, there are the thousands of people going through the immigration and asylum system who are concerned about their future prospects. Thirdly, several thousand of my constituents work for the UKBA and are both frustrated by the rules and processes that they have to go through and, given the Government's decisions on public expenditure, concerned about their future job prospects. Although those three groups of people appear to approach the issues from different perspectives, they share a lot more common ground than they suppose. Before I explain that, however, I shall describe my own perspective.

I am very lucky to be a Member of Parliament who represents his home town. I have lived there all my life and believe very passionately that Croydon's diversity is one of its greatest strengths. It makes the area a vibrant and cosmopolitan place to live, and in today's globalised world the fact that many Croydonians have connections with other countries is a huge asset to the town. Immigration has brought entrepreneurs who have set up new businesses and created new jobs and people who work in our public services, and it has also enriched our culture. My close friends, neighbours, former council colleagues and almost every voluntary group with which I interact as an MP include people from black and minority ethnic communities.

A number of Members referred to the British sense of fair play and to this country's tolerance, and, although I know their good intentions in making that point, I always think that "tolerance" is not the right word to describe the situation. I do not tolerate the fact that people from all over the world have made their homes in Croydon, I celebrate it. I am proud of the fact that they have chosen to make my home town their home.

It is possible to have "too much of a good thing", however, and I was interested to hear my right hon. Friend the Member for Hitchin and Harpenden refer to a pamphlet that he published with that very title. I have not read it, but I certainly will now. My constituents undoubtedly think that we have had too much of a good thing in recent years, and I shall run through their concerns.

Most people are concerned not about race or skin colour, but about population growth, jobs and the pressure on local public services. Many of those issues have been addressed today so I shall keep my comments brief. On population growth, the latest projections from 2008, which are based on the assumption of net migration to this country of 180,000 people a year, predict that the population will increase to 71.6 million by 2033, an increase of 10.2 million people. Of those 10.2 million people, about 7 million will be accounted for by net migration.

My right hon. Friend referred to housing projections in Hertfordshire, and I am sure that every Member can tell a similar story. My local authority is a growth area under the London plan, but the plans for significant housing growth cause real concern. Bizarrely, very few people live in our town centre, so there is an opportunity to build significantly more housing there, but large parts of my constituency have suffered in recent years from overdevelopment, which has changed the character of residential areas. There has been lot of backbone development, with detached or semi-detached houses replaced by blocks of flats, and that has caused real concerns for constituents. Indeed, the pattern of net migration has driven much of that change.

On jobs, the figures from the Office for National Statistics' labour force survey show that between April to June 1997 and April to June 2010, the employment of people who were born in the United Kingdom rose from 24.5 million to 25.1 million, while the employment of people born outside the UK rose from 2 million to 3.8 million. We should not be so simplistic as to say that, if there had been no net migration, exactly the same number of jobs would have been created, because the situation is much more complicated; but, during the previous Labour Government, a period of relatively sustained economic growth, about three quarters to four fifths of the jobs created definitely went to people who were not born in the UK. An opportunity was missed to get a large number of people in this country who had been off work for a considerable period back into work. As I said, we should not be simplistic about those figures or take them at face value, because the picture is more complicated than that, but it is undeniable that during the last economic boom we missed the opportunity to get long-term unemployed people back into the labour market.

On public services, I sat briefly in the Chamber yesterday for the Opposition day debate on education, when the shadow Secretary of State referred to our debate about the need for capital investment in our schools, and to the requirement for a needs-based investment policy. I was rather staggered to hear him say that what he meant by "needs-based" was that funding should go en bloc to local authorities in areas where there was low

education attainment. When I think of "needs-based" in relation to investment in education capital, I think about the state of individual school buildings and about the parts of the country that are experiencing significant population growth among young people and have a need for additional school places.

I do not want to open up the issue of the Building Schools for the Future programme in this debate, but one of my real concerns was that whereas other authorities received huge sums—I am sure that they put them to good use—my authority got not a penny, despite the fact that there has been a large expansion in the number of primary school children and there is an urgent need to provide new primary school places. When I talk to my residents, I learn that one of their concerns is the lack of investment in areas experiencing the effects of net migration to provide increased capacity in public services.

The hon. Member for Lewisham East referred to social housing allocation policy—an issue that comes up time and again. There is a widespread belief in my constituency that the system is biased in favour of people who have just come into the country. That belief is wrong: each year, the council does an assessment to demonstrate that it is allocating its housing on a proportionate basis. However, it is very important to explain why the belief is wrong, because people's perception is perfectly reasonable from their point of view.

At the moment in my borough, just under 40% of the population are from the BME communities. As we still exist in a society where people from those communities are disproportionately likely to be stuck in poverty, a higher proportion of that community—about 60%—is on the housing waiting list in Croydon. If the council was allocating its housing fairly, we would expect about 60% of the allocations each year to go to those communities. However, the pattern of settlement in Croydon is very mixed, and a large proportion of our social housing stock is in a town called New Addington, where the prevalence of the BME communities is much lower. So a New Addington resident on the social housing waiting list with children will see 60% of the properties coming up there going to people from a BME background and they will think that their children are being discriminated against. We need to do a much better job of explaining to people how the system works and, perhaps, looking at the detail of housing allocation policy to counter some of those concerns.

The issue of numbers, highlighted by the right hon. Member for Birkenhead at the start, is very important and the Government are right to consider that and all the different channels—not just economic migration from outside the EU, but students and family channels, to which other Members have referred. However, it follows from the points that I have made, and from people's concerns about access to public services, council housing and jobs, that the issue is not just about how many, but who.

I have heard the Minister for Immigration say that Home Office research demonstrates that one third of those who came into the country on tier 1 visas are not working in highly skilled jobs at the moment. We need to make sure that the tiers are applied properly. However, as my right hon. Friend the Member for Hitchin and Harpenden said, we also need to look at some particular small-scale exemptions in certain areas of the economy, where there is a case for bringing people in.

I have heard it rumoured that the Government are considering an exemption for footballers. Personally, I would place a higher priority on highly skilled research scientists and people of that kind. I support what the Government are doing and I think that the cap is right, but we need to look at the detail to make sure that there is flexibility for particular areas of the economy, where it is in our national interest to bring in people with the highest level of skills, or entrepreneurs with a proven record who are going to create jobs and boost economic growth. All Members will have been lobbied by organisations such as the British Medical Association, the Campaign for Science and Engineering and Cancer Research UK on those points.

As I said, for the vast majority of my constituents who are concerned about immigration, the issue is not skin colour or race but jobs, housing and access to public services. However, we should recognise that race is an issue for some people. This is a sensitive subject, but if we are going to have this debate in the House, we need to address it. A small number of people are motivated by hate. Four years ago in my constituency, we came very close to a BNP councillor being elected. Over the past four years, the Labour and Conservative parties have together worked very hard on that, and we saw significant progress at the council elections that were held on the same day as the general election.

There is a wider group of people who do not necessarily have friends, colleagues or neighbours from the BME community with whom they socialise. When I knock on their doors, they say to me that they go to Croydon town centre, for example, and feel that it is not their town any more—that it has changed. This view is, of course, nonsense. Many black and minority ethnic people in Croydon were born there and have lived there all their lives—they are as British as I am. Those who were not born there have uprooted their families, travelled halfway across the world, and chosen to be British. One of the most moving things that I did as a parliamentary candidate, before I had the privilege of entering this House, was to attend a citizenship ceremony and see the pride of new immigrants in attaining British citizenship.

I used to be a councillor before I came to this House, and my responsibility in the immediate period before that related to public safety and the rather nebulous concept that is referred to in local government as community cohesion. One of the things that my council did was to organise events to celebrate the major religious festivals to promote an interfaith dialogue. Perhaps the only thing I did that surpassed attending the citizenship ceremony was to go to an event to mark the festival of Eid, where two young Muslim women, Ruhina Cockar and Joanne Kheder, one dressed in western clothing and one wearing the hijab, spoke about what it meant to them to be British Muslims. I passionately wish that every single resident of Croydon had been there to listen to what they had to say about their gratitude for the opportunity that British citizenship has given them and their determination to repay that debt to society. A single quote does not do justice to their words, but here is a short extract from Ruhina's speech:

"I'm a Croydon girl through and through. I was born in Mayday hospital…My beliefs are entirely compatible with being British…I have thrived in British society…and I am proud to call myself a British citizen".

[Gavin Barwell]

There is currently a bit of a backlash against multiculturalism; some Members have referred to that. To the extent that multiculturalism meant focusing on what divides us rather than what unites us, that backlash is a good thing. However, at the risk of stating the obvious, Britishness—a collective identity for the English, Scottish, Welsh and Irish—is by definition multicultural, in the literal sense of the word. That is a good thing. We should not force people to choose between being British and having pride in their roots and their origins.

I should like to end by touching on a parochial issue that affects my constituents in Croydon. I mentioned the widespread concern regarding the previous Government's decision that all in-country asylum applications should be made in Croydon. That concern has two roots. First, there is a financial impact on the council. The council receives funding from the Home Office to pay for the costs that it has to meet in relation to these issues, but that funding does not adequately compensate council tax payers. It does not cover any of the legal costs, and significant numbers of applicants appeal if they are denied leave to remain. While they are appealing, the council has an ongoing obligation to them, and those costs, and the council's legal costs, are not covered.

Secondly, the funding does not cover costs in relation to certain people who have no access to public funds but to whom the council has an ongoing duty in relation to providing destitution support, nor does it cover many of the indirect costs. The council is supporting significant numbers of unaccompanied asylum-seeking children who do not have English as a second language and require additional support in schools.

Mr Sutcliffe *indicated assent.*

Gavin Barwell: The shadow Minister nods, but under his Government, and under this Government, we have not yet made the case to the Home Office that Croydon council tax payers should not be asked to shoulder the cost of a national obligation.

The Minister will no doubt respond that because of the work he is doing, which I entirely applaud, the numbers of such people have been reducing. However, this involves a twofold issue of principle. First, the next time there is a major conflict abroad, those numbers will undoubtedly increase again, and we will be back where we were a year or two ago. Secondly, there is a more important point of principle, which is that our obligation to provide sanctuary for those who are fleeing persecution is a very important national obligation, and we should not be trying to drive down the numbers of people seeking asylum by making it as difficult as possible for them to do so.

Mr Sutcliffe *indicated assent.*

Gavin Barwell: The shadow Minister nods again, but we were not able to convince the previous Government of that case. I believe that the reason the Home Office took the decision to close the office in Liverpool was to make it difficult for people to claim. I am all in favour of making the process quicker and certainly in favour of making it much more accurate, so that we do not have such a large number of successful appeals, but we should not make it difficult for people who have fled from persecution to this country to claim asylum.

I very much welcome the fact that we are having this debate. If we can reduce the overall number of people seeking to come into the country; if we can focus on two groups of people—those who will contribute to our economic future and those who are entitled to claim sanctuary; if we can have quick and accurate decisions; and if we can have an efficient and properly resourced UK Border Agency, I am confident that we can make progress.

I end by asking the Minister about UKBA. I know that he has already spoken, so perhaps he can reply to me separately. I have a number of constituents who work at UKBA, and they have real concerns about the Government's public spending decisions. I understand why they are having to make those decisions, but a particular point has been made to me about a consultation that has just happened on the units in UKBA facing redundancy. The Chancellor was very clear in both the Budget and the comprehensive spending review that the Government wished to minimise the number of compulsory redundancies, and I am sure that Members of all parties would agree with that aim. However, the lobbying that I have received suggests that the way in which UKBA is interpreting the units for redundancy is making it much more likely that there will be a significant number of compulsory redundancies. Perhaps the Minister can get back to me on that point. Thank you very much, Mr Speaker, for the opportunity to speak in this debate.

5.1 pm

Keith Vaz (Leicester East) (Lab): It is a great pleasure to follow the speech of the hon. Member for Croydon Central (Gavin Barwell). I cannot believe he has been in the House for only six months. Given the eloquence and fairness of his speech and the way in which he crafted it, it sounded to me as though he had been here for six years. He is very proud of his multicultural constituency, and I thought he was fair and balanced in how he put his arguments forward. It is right that we should conduct a debate on immigration in such terms.

I apologise to the House for having missed part of the debate. The Liaison Committee was meeting the Prime Minister for the first time, and of course it was important for me to be there as the Chairman of the Select Committee on Home Affairs. In fact, the Prime Minister gave us a bit of news on immigration that I will report to the House in a moment. I missed the contributions of many right hon. and hon. Members, and I look forward to reading them in *Hansard* tomorrow.

I declare an interest: I, of course, am an immigrant. My parents were originally from Mumbai, having gone there from Goa to seek work. They then went from Mumbai to Yemen for similar reasons, as economic migrants. I and my sisters were born in Yemen, and I came to this country when I was nine years of age. As in the situation that the hon. Member for Croydon Central described, my parents chose to come here, exercising the rights that they had through living in a British Crown colony, Aden, to enable their children to grow up and remain here.

I am extremely proud of this country. I am proud of its multiculturalism and the way in which it has absorbed so many communities, not just in the past 30 years but throughout its history. It is difficult these days to know what is pure English, because the British people have been represented by so many different cultures over the past 1,000 years.

What has been good about this debate is the tone in which it has been conducted. I remember that, when I was first elected, great passions were raised on both sides of the House on the subject. I was in opposition then and have returned to opposition now after 13 years. No debate on immigration policy was conducted without people getting extraordinarily passionate and very angry with each other across the Floor of the House. Today's consensus is extremely important, and I thank my right hon. Friend the Member for Birkenhead (Mr Field) for suggesting the debate and the Backbench Business Committee for holding it. Normally, we discuss immigration only when the Government of the day, be they Conservative or Labour, introduce legislation. We have had many immigration Bills over the 23 years I have been in the House, and I am not sure all of them have achieved what they have been intended to achieve. It is good to be able to discuss immigration in the House and to share our experiences.

The Home Affairs Committee has just published its report on the immigration cap. I urge all Members to read it or at least the conclusions and the summary, as I do with other Select Committee reports. We did not argue with the Government's desire to impose a cap—that is not the purpose of a Select Committee—but we wanted to see whether they could achieve their goal of reducing immigration from hundreds of thousands to tens of thousands. Our conclusion—this was an all-party decision, and there was one unanimous vote in the Committee, which is, of course, in the report—was that they needed to look again at the cap because it cannot, as currently constructed, achieve what they want within the five years they have set out. If they want to look at the figures in five years' time, they will have to look at the immigration figures in 2013 and extrapolate them to 2015.

The Committee made a number of suggestions that it felt would be helpful. We thought it was extremely important that the Government should look at different avenues if they were to reduce immigration to tens of thousands. The fresh piece of news that I bring to the House this evening is that, in answer to a question at the Liaison Committee—I do not know whether the Minister even knows this, although he may have mentioned it in his speech—the Prime Minister said that the Government's new immigration policy would be announced next week.

That is the earliest indication that we will have a statement to the House at some stage, and we welcome that. At the moment, we have a temporary immigration cap, and people are concerned. Business is concerned about whether it will be able to bring in the employees that it absolutely needs to fill vacancies that it cannot fill from within this country. Students need to be told whether they will be caught by the permanent cap. As the Committee said in its report, if the Government are to achieve their reduction in numbers, the overseas student population will have to be reduced by a huge number, which will, of course, affect the education system. At a time when fees will be going up, the loss of income to some of our colleges and universities will be very serious.

Anyway, the crucial thing is that we will get a statement of Government policy next week. In a sense, the debate should have taken place next Thursday, rather than this Thursday. However, I am sure that we will find opportunities for further debate on this issue.

The hon. Member for Croydon Central mentioned the possibility of an exemption for footballers. In fact, that is what we have at the moment. Footballers are exempted, but scientists who might win Nobel prizes—the elite scientists—are not. One of the recommendations in the Committee's report is that if we are going to exempt footballers—even after last night's result, although everyone who plays for England is, of course, English—we should look at groups that could help the economy.

The Committee also suggested that intra-company transfers should be excluded, because they represent 60% of tier 1. Within 12 hours of our report's being published, the Prime Minister accepted that recommendation at Prime Minister's Question Time. Select Committees always feel rather chuffed when their recommendations are accepted by Ministers, and especially by the Prime Minister.

My right hon. Friend the Member for Birkenhead mentioned Professor Metcalf, and I join the praise of him. The Migration Advisory Committee, which survived the cull of quangos, provides a very useful service. Today, it published a report telling us in stark terms that there will have to be a reduction in student migration and family migration if the Government are to get to their figure for 2015. I am afraid that that will affect all those in the House with constituencies that contain settled communities whose members, for whatever reason, want to bring spouses and dependants from abroad.

Across the Chamber, I see the hon. Member for Croydon Central and the hon. Member for Harlow (Robert Halfon), who must have quite a large settled community. The hon. Member for Finchley and Golders Green (Mike Freer) has a big immigration case load. On the Opposition side of the House, my hon. Friend the Member for Slough (Fiona Mactaggart), both shadow Ministers—my hon. Friends the Members for Bradford South (Mr Sutcliffe) and for Birmingham, Ladywood (Shabana Mahmood)—and many others, including myself, have immigration case loads. Our Whip, my hon. Friend the Member for West Ham (Lyn Brown), will have hundreds of immigration cases to deal with at her surgery tomorrow. The reduction in immigration will affect not only people coming as students, but our settled communities—British citizens whose sons and daughters wish to bring spouses or dependants from abroad. We will all be affected as constituency MPs who deal with immigration cases.

I commend to the House the excellent report of John Vine, the chief inspector of immigration. When he was originally appointed a year and a half ago, he had a pretty hard time from the Home Affairs Committee, because we did not like the fact that he was called an "inspector" and wanted him to be called the "independent inspector", and we felt he was far too close to the Home Office. However, we need not have feared for his independence, because every single one of his reports has been severely critical of the UK Border Agency. Even today, he has reported that of the £40 million-worth of fines imposed by UKBA on those not complying in respect of illegal immigration, only £5.6 million has been collected. He says that if the Government are to tackle illegal immigration, they must be strong and firm. Any discussion of immigration must deal with illegal immigration as well as legal. I do not agree with the Mayor of London that there should be an amnesty

[Keith Vaz]

for those living illegally in this country. However, it is important that we consider their cases and give them a decision as quickly as possible.

That leads me to the second part of what I wanted to say today, which relates to a constituency interest of the hon. Member for Croydon Central—I hope he does not take it personally if I criticise UKBA, which is based in his constituency. UKBA remains unfit for purpose. Of course, a Labour Home Secretary announced that, but it will be still less fit for purpose following 20% budget cuts. When Lin Homer appeared before the Home Affairs Committee last week, she said that she could cope with that 20% reduction and with losing 5,000 members of staff, but the Committee believed that such cuts would mean that UKBA could not provide the kind of service required.

One problem is that in the time it has taken UKBA to deal with immigration cases, people get married and have children, which is inevitable when people meet someone they love. Then they want to stay, because they have been here for years. I am sure all right hon. and hon. Members know of such cases in their constituencies. Last week, I met at least half a dozen people who had been in this country trying to get their cases resolved for 14 years. They have become settled and they do not want to go back, and UKBA must deal with that problem. We must be careful in asylum cases that we do not send back those who are genuinely persecuted, but we must deal with other cases as quickly as possible.

One perennial problem for all hon. Members who deal with legacy cases is the letter that comes back from UKBA saying, "Sorry, we can't deal with this case now, but we'll have it done by July 2011." There are hundreds of thousands of legacy cases, some of which lasted the entire length of the previous Labour Government. I have told Immigration Ministers a number of times, "You could be the first Immigration Minister in history to clear the backlog." None seems to have wanted that epitaph, so the backlog remains after 13 years. Lin Homer has said that if the backlog is not cleared by 31 July 2011, neither she nor any of her senior officers will take their bonuses next year. We will hold her to that. I want to see how she does that following a reduction in staff.

Another thing that concerned us was the rise in indefinite leave to remain—up 4% over the past four months. The House brings in legislation, and tries to do it as quickly as possible, but the figures are going up because the Home Office is granting indefinite leave. Indeed, net immigration this year might even increase, despite the temporary cap, because of the number of ILRs being granted. We should therefore be very sceptical. My right hon. Friend the Member for Birkenhead keeps talking about the numbers. Those numbers will continue to rise if we clear a backlog of 400,000 and grant indefinite leave at such a rate—an extra 30,000 cases since February. We do not want people arguing at the end of that, "This Government have let in a whole lot of immigrants." It is a necessary conclusion to the legacy process.

My next point is about foreign national prisoners. One of the problems is a lack of co-ordination between the Prison Service and the UK Border Agency and the length of time between the finishing of a sentence and removal. Even though we assist people to leave—we pay them up to £1,500 to leave the country—there is no monitoring to ensure that they do not re-enter the country. I and other Home Affairs Committee members went to the camp at Calais, which was cleared several weeks after we visited, and the people to whom we spoke had every intention, if removed, of returning to Calais and making their way from there to the United Kingdom on the back of lorries. They know that the French police protect and monitor their border not on a 24-hour basis, but on a shift basis. Those determined to break immigration law know exactly when those shifts end. So rather than more legislation, there are practical and administrative ways of dealing with this issue.

This has been a good debate—it is important that we can discuss immigration in the way we have—but I caution Members on both sides of the House if they think that the solution to this problem rests entirely with non-EU immigration. One Select Committee member, the hon. Member for Oxford West and Abingdon (Nicola Blackwood), who I think is one of the most outstanding Members in the new intake, inserted into a recent report a phrase about how the Government should be careful about being more restrictive on the routes of migration that they can control, because they cannot control other routes of migration.

That brings me to my final point about EU migration: neither Members nor the Government can do anything about 80% of the people entering this country, because they do so under treaty obligations that Conservative and Labour Ministers and Prime Ministers have signed over the years.

Mr Lilley: The right hon. Gentleman is very distinguished and knows the facts, even though he was not here when the Minister quoted them: net immigration into this country is 196,000, and net immigration from outside the EU is 184,000, so it is the bulk of the problem. To pretend otherwise is to mislead people outside the House.

Keith Vaz: I have great respect for the right hon. Gentleman, who is very interested in this subject and has spoken, I think, in every immigration debate in which I have spoken. Immigration is inevitably about volume and numbers, but the freedom of movement enjoyed by EU citizens means that they can come and go as they please. I was the Minister for Europe at the time of enlargement.

Mr Lilley: They come and go.

Keith Vaz: Yes, and that is the point. Some of our constituents' criticisms are not about people who come from outside the EU, but about people who come from the EU. Hon. Members will remember the general election and the confrontation between the then Prime Minister and Mrs Gillian Duffy, whom I met for the first time at the Labour party conference one month ago. Her complaint was not about non-EU immigration, but about EU migration. That is what Mrs Duffy was concerned about. When we talk about such immigration and those numbers, we need to know that this House can do nothing about it. This may be an unpopular view in the House, but EU migration has been very good for Britain, for exactly the reasons that the right hon. Gentleman mentioned. During the boom years, people from Poland, Romania and Hungary came to this country and contributed to the boom; when it went, they went back.

Mr Lilley *indicated dissent.*

Keith Vaz: The right hon. Gentleman cannot have it both ways. He cannot say that there is no impact, but then say something else when I say that there is freedom of movement. There is that capacity. We live on an island, so by all means let us have measures that will ensure that we do not overpopulate this island. That is now accepted in all parts of the House. I do not believe it possible to have a limit, because I do not think that the state can have a limit, as there are so many exemptions. America has an immigration cap, but there are so many exemptions that it is not even worth having. The American Government are currently charging Indian IT firms $2,000 a visa, to help with the cost of building the fence between Mexico and the United States. That is where things will end up unless we are careful about this whole debate. I believe that we can be careful. I believe that the Government will respond positively and that we need to conduct this debate in the kind of tone and with the kind of temperament that we have seen today.

5.21 pm

Mike Freer (Finchley and Golders Green) (Con): The right hon. Member for Birkenhead (Mr Field) articulated with great clarity and passion the importance of the debate, as did my hon. Friend the Member for Kingswood (Chris Skidmore). The right hon. Gentleman clearly explained that this debate is not about bigotry, race or colour, but about the impact of unfettered migration on the economic and social fabric of the UK. Most members of the settled community whose doors I knock on—particularly those in the Indian community who came across in the '70s—feel passionately about the impact of unfettered migration, because it is the settled community who tend to bear the brunt of the bigotry. As other Members have said, it is important that we should have this debate so that other, extreme parties do not fill that vacuum.

One reason I stood for election to this place was that I used to get rather irritated outside the House at what seemed to be good ideas that sometimes translated into—how shall I put it?—unintended consequences. I want to focus on what I believe to be a perhaps unintended consequence of placing a crude cap on business. I understand and fully support the need to manage migration. Skilled migrants can add to the success of our economy, and I am mindful of the quite proper desire of our Government to maximise employment. I am also conscious of the demographics of my seat, as the right hon. Member for Leicester East (Keith Vaz) put it. I have the largest Jewish population of any seat in the UK. I also have large Indian, Muslim and Afro-Caribbean populations, many of whose members are first, second or third-generation immigrants who have gone on to become captains of industry or stalwarts of major charities, contributing hugely to the rich fabric of our society. I am therefore conscious of the contribution that immigration can make to the UK.

I want like to raise a number of concerns affecting a major employer in my constituency, Pentland Brands. Many hon. Members will say, "Who?", but it is a major exporter in the UK, producing apparel and shoes, and brands that dominate the high street. Pentland Brands is a successful global company that we should encourage, rather than hamper its ambition to tap into the global market. The right hon. Member for Leicester East suggested that we have a window of opportunity before the statement, perhaps next week, and Ministers should amend the policy before it comes to the House.

On the specific issues that concern the company, the proposed rules seem to have created an inability to hire graduates from across the world, and I shall give two examples of that. Every year, the chief executive of the company seeks to employ an executive assistant who is a high-calibre graduate from a market that he wants to develop. During the past year, he has had two executive assistants: one from India, and one from China. They may well have technical skills that the chief executive could find in the UK, but they bring the nuance of the political, social and economic structures of those markets that the company is trying to break into.

A home-grown graduate, with the best will in the world, will simply not have those skills. Being able to speak Mandarin, Cantonese or Gujarati is not the same as understanding how the markets work and how to open doors—the subtlety of trading in a global economy. Will the Minister consider how to adapt the cap so that it is not a cork that stops all economic migration, but is flexible and allows specific skills to be recruited, even if those skills, superficially, can be met internally? The Prime Minister went to India and China because he recognised that we must tap into those two economies if the UK economy is to pull out of recession and remain a powerhouse in the world economy. Will the Minister look carefully at companies that seek to recruit graduates to help them to tap into developing markets?

It is not just the nuances of language and structures that matter, but specific skills. Commentators have talked rather crudely about why we import IT specialists. I shall give an example of how we could go seriously wrong. IT skills qualify, I believe, under tier 2, not tier 1. The company in my constituency is a specialist manufacturer of sports footwear. Sri Lanka is the world leader in developing the software that allows the design and manufacture of sports footwear. Not surprisingly, the company wanted to recruit IT specialists from Sri Lanka to help to develop its products, which provide huge export benefits for this country. The proposed rules suggest that the company could not do that.

These jobs do not involve low-paid IT skills; they command salaries in excess of £80,000 a year. The people involved are not tier 1 economic migrants who end up delivering pizzas. They have skills that a global company needs if it is to continue to attract business.

Mr Frank Field: I draw the Minister's attention to what the hon. Gentleman just said; I am sure that he was listening carefully. There are no objections if the salary range is at that level, but there is an objection, certainly from me if no one else, to intra-company transfers when salaries are a quarter of that amount.

Mike Freer: I thank the right hon. Gentleman for his comment. The company is not looking for an intra-company transfer, and that is exactly the problem. If it cannot recruit a Chinese national or an Indian national, it will have to recruit them in an offshore company, or not at all. Either way, we are hampering the expansion of a good UK company, and that cannot be the purpose of the cap.

[Mike Freer]

The other issue is that if we continue to recruit offshore highly skilled technical migrants who are essential to UK companies, we may benefit from the exports of the UK company, but we will lose the benefit that that small number of highly skilled economic migrants bring to the economy through their personal taxation and spending.

Keith Vaz: I apologise for intervening on the hon. Gentleman's excellent speech, but that company needs those people now because of the skills they possess. This is not an issue of settlement; it is an issue of ensuring that we can produce goods and therefore employ more British people in such companies.

Mike Freer: I accept what the right hon. Gentleman says. We need a long-term strategy to develop the necessary skills. We can already provide the technical skills, but the training in our British universities cannot provide a knowledge of foreign markets. There is a difference between training someone in the latest Sri Lankan IT software, which we can do, and teaching them the nuances of how to access the decision makers in the Chinese economy, which we cannot. There is a big difference between the two.

I understand that the Government might be thinking of relaxing their stance on visa extensions. The company has an Indian graduate who can no longer get a visa extension. The company will lose his skills and his contribution. I ask the Minister to think again, and perhaps to assess companies on a case-by-case basis to see whether an extension could be granted because of the contribution that certain individuals make.

Mark Tami: The hon. Gentleman is making a powerful speech. Bearing in mind all the problems that he rightly suggests could pile up, does he agree that the company in question and others like it might wonder whether the UK is really the right place to be? Might they not decide to offshore their whole business and work from somewhere else?

Mike Freer: I would hate to put words into the mouth of the company's chief executive, but I doubt that that would happen. The mainstay of the UK operation involves not only administration but design, and its design capability is based in Finchley. The manufacturing already takes place offshore. I am talking about a very small number of specifically skilled individuals, and under the Government's proposals, the company would no longer be able to recruit such people. So it would not recruit at all, it would not recruit locally because of the lack of that nuanced knowledge of the foreign markets, or one or two individuals would be recruited offshore. All three scenarios would be damaging to the UK economy.

I support the Government's attempts to control immigration, and I support the right hon. Gentleman's motion, but I want gently to ask the Minister whether the Government will consider introducing some form of mechanism under which global companies that are struggling and can prove that they cannot recruit the necessary skills in the UK can seek a remedy whereby they recruit offshore graduates for a period of time—perhaps one or two years, or longer—provided that they could make the economic case for so doing. I ask the Minister gently whether we can have a flexible policy, rather than a rigid cap.

5.33 pm

Fiona Mactaggart (Slough) (Lab): Thank you very much, Mr Speaker, for giving me this opportunity to speak in the debate. I had not originally planned to do so because I knew that I would be unable to be here for most of it, although I was here at the beginning. I have been moved to speak, however, by a report of the remarks that the hon. Member for Harlow (Robert Halfon) made about my views, which I have now read in *Hansard*. I would like to take this opportunity to set the record straight before the House.

I want to start by informing the House about the hon. Gentleman's suggestion that I made remarks as a Minister that immigration officers deserved to be called by a four-letter word. They were not made by me when I was a Minister. I made the remarks that he is referring to when I was a Back Bencher, and I never suggested that that label should be given to the class of immigration officers. I pointed out, in response to a question, that it is a fact that large numbers of people—not some, but large numbers—seek to cheat the immigration system, which hardens immigration officers. Inevitably, that leads to a kind of cynicism, which means that they cannot necessarily give each case a completely fresh and individual look. I argued at the time for proper training to ensure that immigration officers did not make that kind of mistake in future. Obviously, it is unfair on the genuine that they should be disadvantaged because of those who are not genuine. I am glad to set the matter straight. If one wants to look at evidence about the degree of cynicism in some immigration officers—as I say, I do not believe that this is universally true by any means—the book "Refusal Shoes" is full of the most shocking anecdotes.

I want to speak briefly about the general issue of immigration. I am pleased to debate it. My right hon. Friend the Member for Birkenhead (Mr Field) will know that I am not one of those who has ever been backward on this subject; I have never been worried about debating immigration.

I am hugely proud to represent one of the most productive towns in this country. One reason why it is such a productive and successful town is that thousands of people have come from countries all over the world to build their future in Slough, which has offered them work. I was so proud just a week ago to sit in a school prom and watch 850 Slough children singing about how people from different countries had contributed so much to the town that they live in and love. This was a celebration of the multiculturalism that is without doubt one of the reasons for the wealth of Slough. It is one reason why, according to the chief executive of Slough borough council, there are more headquarters of European companies in our town than in Scotland, Wales and Northern Ireland put together. That is why we should celebrate the economic prosperity that migrants bring to Britain. I am glad to do that.

We know that migration offers and brings much. The hon. Member for Croydon Central (Gavin Barwell) put it rather well when he said that we need to work to make

the best of it and make the consequences of multiculturalism worth celebrating. I will find it depressing if that is not done. The last Labour Government introduced the migration impacts fund as a mechanism to help to achieve that. I profoundly regret the huge cut to Slough borough council's budget that has resulted from the abolition of that fund.

I did not originally expect to participate in the debate because I was hoping to attend the Westminster Hall debate about houses in multiple occupation. One point of investing resources from the migration impacts fund in Slough was to ensure that migrants in the town did not have to live in sheds—and I mean sheds in people's back gardens. Government funding enabled the council to inspect HMOs and occupied sheds. It was used successfully to prosecute a landlord who had put a shower on the stairs of a house in multiple occupation in the expectation that people could somehow walk past it. Now we have lost the resources to carry on doing such things, which is much to be regretted.

Robert Halfon: As I have said, I apologise for not giving the hon. Lady advance notice of my comments. I was not aware that I should have done, and I will make sure that I do in any future instances. However, all I did was publicly to quote from what the BBC said. I accept that you were a former Minister, but in being a former Minister, you actually give more prescience to your remarks—

Mr Speaker: Order. Let me say to the hon. Gentleman that I am not a former Minister, I have never been a Minister and I have no aspiration to be a Minister.

Robert Halfon: I apologise again, Mr Speaker. However, what the hon. Lady said, as reported by the BBC, is one reason why immigration officers are viewed as "s***s"—because some people decide that if one is like that, all of them are like that. She made no attempt to distinguish between them, and by her remarks she has tarred every immigration officer with the same brush.

Fiona Mactaggart: Actually, I did not say "some", I said "large numbers". That is one of the corrections that I have just inserted in *Hansard*. Unlike some of the hon. Gentleman's colleagues who have only read the blog that he wrote about the subject rather than the original BBC article, he knows that the original BBC article makes it entirely clear that I was asked about the negative attitude of some border officials by a questioner who implied that, it was universal. I corrected her, suggesting that that was not a universal belief.

I cannot take responsibility for the words that the BBC put in its report. If the hon. Gentleman reads the BBC article that he claims to have in his hand, he will see that when I gave the reason for the fact that some officials acted in this way, I used the phrase "large numbers". Every time he has quoted from it, he has referred to "some", rather than to "large numbers", which was the phrase that I used.

I do not want to bore the House with quibbles about the details, but the words that I have used are accurate, and I regret to say that the words that the hon. Gentleman used—inadvertently, I am sure—are not. I think it important for the House to know my views.

We need to invest in helping communities to deal with the consequences of migration. If we fail to do that, we may create the tensions and vulnerabilities in our communities that we in Slough have experienced in the past. The competition between people of different races and origins poses a risk to our peaceful, multicultural co-existence, which was genuinely reflected by those 850 children from Slough singing in the Albert Hall. The risk is that it will not continue to be a positive attitude, but will create such a source of stress in communities that it could turn into tension and violence between individual communities. No one in the House would like to see that outcome.

Robert Halfon: On a point of order, Mr Speaker. The hon. Member for Slough (Fiona Mactaggart) implied that I have misled the House. I am quoting directly from the BBC article. The part that is in quotation marks reads as follows:

"One of the reasons immigration officers are"

s***s—

"is actually because some people cheat and they decide everyone is like that".

It is a direct quotation, and that is all that I wish to say about the matter.

Mr Speaker: I am grateful to the hon. Gentleman for that attempted point of order. What I would say is simply this. A comment was made earlier, and subsequently there was a series of points of order. The hon. Member for Harlow (Robert Halfon) offered an apology; the hon. Member for Slough (Fiona Mactaggart) has now made a speech. As a matter of courtesy to the hon. Gentleman whom I am about to call and the right hon. Gentleman whom I shall ask to wind up to the debate, I suggest that we leave it there. There are now considerations of courtesy to other Members.

5.42 pm

David Mowat (Warrington South) (Con): I apologise in advance to the House for the fact that my remarks may appear less entertaining and somewhat more low-key than the previous exchange. I am also aware that we are nearing the end of the debate, so I shall be fairly brief.

I was particularly taken by two speeches that seemed to sum up the elements that we are trying to reconcile. First, we heard about the real concerns that are expressed to all of us by constituents who are decent people and, in many cases, members of ethnic minorities about the level and velocity of immigration and the impact that it has on our population levels. According to a quotation supplied to me by a Sikh gentleman in my community, given that the current level of net immigration is about 200,000 a year, our population will number 71 million in a decade and a half. That is about 10 million more than it is now. His point was that if that is what the Government wish to do to the country, they should at least ask us. Debates of this type give us a chance to discuss such issues. The pressure on services that is caused by such extensions of the population was described very eloquently by my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley).

The counter-argument was presented in a very good speech by my hon. Friend the Member for Finchley and Golders Green (Mike Freer). Our country is in the

[David Mowat]

vanguard of globalisation. We are the country that goes to summits and always takes the position that protectionism is bad, that world trade must increase and that the velocity of world trade is good for us.

The difficulty we face is in reconciling two key forces. Some of the issues involved in the subject under discussion, such as those caused by the temporary cap, arise from the difficulty that can occur in reconciling the concerns that my hon. Friend the Member for Finchley and Golders Green said were held by the business in his constituency with the genuine concerns that so many people have about the number of people coming into the country.

I have three observations on how we might reconcile the two competing forces. I now understand that policy will be announced in a week's time, so my comments might come a little too late to influence that. On intra-company transfers, organisations such as GlaxoSmithKline, Shell, Accenture and IBM need to move people around. They cannot always plan how they do it, and they do not even consider individual jurisdictions or boundaries as being particularly relevant in profit and loss terms. They have to be able to undertake such transfers quickly and if we were to facilitate that, we could gain a competitive advantage. Britain could then become the place for projects that involve people coming together to work. In my business career, how quickly that could be done was a very big issue.

Academia is a second, and related, area. We have heard a lot about the impact of the temporary cap on academia. It is true that if we wish our society to become less reliant on financial services, much of our success will depend on applied science and engineering and on how well we address those subjects at university and transfer knowledge into wealth. We are in a global market, and we need to be able to treat it in a global way.

I was struck by something I recently learned about the Wellcome Trust. It needed to hire a zebra geneticist team leader. It was not able to do that without advertising in the local job market in Cambridge. Members will not be surprised to learn that there were no applicants for the job, and Wellcome was subsequently permitted to recruit by other means. That is a cumbersome process, and we need to do better.

Mr Frank Field: Does the hon. Gentleman not know that the opposite also happens? Jobcentres have reported to me that companies have gone through such a procedure and accidentally found the person they are going to appoint.

David Mowat: I am sure that is true, but I do not think it undermines the point I am making. Two wrongs do not make a right.

Finally, I want to consider why we are in this situation in the first place. Nine out of every 10 non-EU immigrants coming into the country are given work permits. That means that, on the face of it, they have a skill or a talent that we do not have here. Why do we not have it? I contend that one of the reasons is that over the last decade and a half we have completely failed to equip our work force with the skills needed for them, and for us as a country, to prosper in the decade of advanced manufacturing, STEM-type activities, and all that goes with that.

Some 30 years ago, I studied engineering at university. Last year, five times as many people graduated than when I graduated, but there were fewer engineering graduates from UK universities. That is a large part of the reason why so many organisations need to go abroad to find staff, and therefore cause some of these issues in the first place. I had an exchange with my right hon. Friend the Member for Hitchin and Harpenden on this during his excellent speech. Of course we have to put pressure on organisations and companies to train people better, and of course it is an easy option just to go abroad to hire the graduates companies need, but there is a chicken-and-egg situation here; we have to do both. Unfortunately, over the last decade and a half, we have not.

I thank the right hon. Member for Birkenhead for securing the debate.

Question put and agreed to.

Resolved,

That this House calls on Her Majesty's Government to act on the overwhelming public concern about the present scale of immigration by taking firm measures to reduce immigration without excluding those individuals who are genuinely essential to economic recovery, on which so much else depends.

Deep-water Drilling (Shetland)

Motion made, and Question proposed, That this House do now adjourn.—*(Mr Vara.)*

5.50 pm

Caroline Lucas (Brighton, Pavilion) (Green): Thank you, Mr Deputy Speaker, for giving me the opportunity to debate deep-water oil drilling off the west of Shetland. This is a matter of great importance for the UK's short-term and long-term environmental and economic interests and of significant public interest and concern. This debate was prompted by the Government's recent decision to grant an exploration licence to Chevron to drill into the Lagavulin prospect, approximately 260 km north of the Shetland Isles.

There is, however, much more in question than just that one individual decision and the Government's current push for more deep-water drilling risks undermining their pledge to be "the greenest Government ever". I therefore ask the Minister to cover the following questions. First, how was the decision to approve the exploration drill at Lagavulin made? Secondly, why was the decision announced during a parliamentary recess, just a couple of weeks after the September sitting and 10 days before the House was due to return on 11 October? Thirdly, why was the decision taken before either the official US Government report on the Deepwater Horizon tragedy or the Select Committee on Energy and Climate Change's examination of UK deep-water drilling have reported? Fourthly, on what does he base his conviction that the UK's regulatory and inspection regime is robust enough to avoid another disaster on the scale of Deepwater Horizon? I hope that the Minister will also address the wider points of what the current push for deep-water oil exploration says for the Government's commitment to be the greenest ever and how the opening up of new oilfields in the North sea will benefit efforts to increase energy efficiency as well as energy generation from renewable sources.

As the House may well know, a legal challenge has now been lodged against the Government's approval of deep-water drilling off the west of Shetland. The crux of that legal challenge is the need to protect two nearby special areas of conservation at Darwin mounds and Wyville Thomson ridge. The former is protected for its cold-water corals, the latter for its stony-reef species and bottlenose dolphins. In order to go ahead with any activity that has the potential to have an impact on a special area of conservation, the Government have to be certain that there will be no significant negative impact on the protected sites. Greenpeace is making a strong case that the Government have no way of being certain of this, given that the decision was taken before the official US Government report into the Deepwater Horizon tragedy had published its conclusions.

The Secretary of State's own words and actions reveal the difference between what he said should have been done and the reality of what happened. He said:

"One of the mysteries appears to be the fact that the blow-out preventer was checked within two weeks of the disaster and still failed. Clearly, that is one of the things that the investigation must get to the bottom of."—[*Official Report*, 14 June 2010; Vol. 511, c. 634.]

Ten days later, he told *The Economist* UK energy summit:

"The events in the Gulf of Mexico are devastating. The impacts of the explosion on the Deepwater Horizon give us pause for thought, particularly given the beginning of exploration in deeper UK waters West of Shetland."

In written evidence to the Energy and Climate Change Committee submitted in September, and repeated to me in a letter of 15 October, the Department said that

"we must learn everything we can from the Macondo"—

the Deepwater Horizon—

"well. Over the last four months we have been looking very closely at all the information that has come out of the Gulf of Mexico incident including the recent BP investigation report, and determining how this relates to our own regime and will continue doing so until the formal US investigations are completed in 2011."

That sounds very good, yet on 1 October it was announced that the Government had approved Chevron's application to drill into the prospects at Lagavulin, under a mile of North sea water.

I would of course be happy to hear any evidence that the Government were seeking comprehensively to understand the Deepwater Horizon tragedy, reflecting on the implications for drilling in the UK, especially in deep water, and waiting for all the evidence to be gathered so that a balanced and informed decision could be made. That was what the Secretary of State implied he was going to do. Unfortunately, despite having set out such an approach, the Secretary of State has singularly failed to follow it. In what will quite possibly be deemed an illegal decision, the Government have approved drilling at Lagavulin without proper parliamentary consultation and in the absence of all the facts.

It is difficult to see how the Government can expect Parliament to accept that the decision to approve the Lagavulin well is either responsible or reasoned. It should also be pointed out that until today Parliament has had no opportunity to offer its opinion. Made on 1 October, the announcement of the decision fell almost exactly in the middle of the conference recess. That left it—a cynic might suggest—free from the detailed parliamentary scrutiny that a debate on the announcement would have permitted and, indeed, free from the media spotlight that would have accompanied such a deliberation. Given the long lead times that any new oil well works on, I would be interested to know why the Government did not feel the announcement could wait a mere 10 days more until Parliament began to sit again.

The haste even flies in the face of the Government's own advisory group's view on the matter. In evidence to the Select Committee on Energy and Climate, OSPRAG—the Oil Spill Prevention and Response Advisory Group that was set up by the Government following the gulf of Mexico disaster to consider the Deepwater Horizon incident and facilitate the implementation of relevant recommendations—stated:

"The Gulf of Mexico incident obliges the industry to reconsider the worst case scenarios and demonstrate to the satisfaction of all its stakeholders that it is competent to drill all targeted reservoirs on the"

UK continental shelf,

"has the capacity to respond effectively to a loss of well control and to any resultant oil spill. OSPRAG aims to fulfil this requirement...Work within OSPRAG is proceeding in advance of the publication of the investigation into the Gulf of Mexico incident but will ultimately be informed by the findings. It is important that OSPRAG be given the space to deliver and its recommendations not be pre-empted."

[Caroline Lucas]

To me, that is pretty strong language:

"It is important that OSPRAG be given the space to deliver and its recommendations not be pre-empted."

A decision to go ahead with oil drilling on 1 October—well before we have the results of the Deepwater Horizon inquiry, meaning that it is impossible for OSPRAG to incorporate those findings into its deliberations—looks like pre-emption.

As well as not waiting for Parliament or OSPRAG, the Secretary of State has not even waited for the official US Government investigation into Deepwater Horizon. As we know, the Deepwater Horizon tragedy cost 11 deaths and caused untold environmental and economic damage in the gulf of Mexico.

Tonight, we need to get to the heart of what informed that hugely important decision and why it was so important that the decision was made in advance of all the advice that would have enabled it to be much better informed. I have tried to answer that question and all I have been able to find is BP's investigation and what the Government describe as the good track record of drilling in the North sea, both of which have obvious flaws. BP is far from an independent observer of the disaster that struck its well, and given its handling of the aftermath over the summer it is hardly surprising that it would seek to limit damage. Many commentators have described the BP investigation as an attempt to spread blame from BP and on to contractors. Others criticised the report's narrow focus on the days leading up to the disaster, rather than on the more systemic failings of design and safety checks. That undermines BP's report.

What about the claim that the UK has a good record of drilling? What the Government describe as the industry's strong track record in the North sea has in fact been built up in far friendlier waters than those found off the west of Shetland. The Department of Energy and Climate Change's information shows that of the 315 wells that have been drilled in deep water anywhere on the UK continental shelf, only three have ever been drilled in more than 1,500 metres of water, as Lagavulin will be. There are only three wells in operation to the west of Shetland, two of which are in about 500 metres of water and the other in only 150 metres. Despite the fact that the previous Government's 2007 energy White Paper stated that the west of Shetland is a particularly challenging location in which reserves remain largely untapped, the current Government are reassured by safety records that are, frankly, of little relevance. Even the safety record on current wells should be examined in more detail. The Government seem satisfied, as proof of safety, that there have been "only" two major disasters—Piper Alpha and Ocean Odyssey—both in 1988.

6 pm

Motion lapsed (Standing Order No. 9(3)).

Motion made, and Question proposed, That this House do now adjourn.—*(Jeremy Wright.)*

Caroline Lucas: When we look in more detail, a worrying picture emerges. The Health and Safety Executive's offshore oil and gas safety statistics bulletin gives a clearer picture. In the last financial year, 50 major injuries were reported, compared with an average of 42 major injuries over each of the previous five years, and 443 dangerous occurrences, including well incidents, were reported, including hydrocarbon releases and offshore equipment failures. There was also a significant increase in the number of major and significant hydrocarbon releases in 2009-10. In commenting on the worrying increase in safety incidents, the head of the HSE's offshore division said:

"I am particularly disappointed, and concerned, that major and significant hydrocarbon releases are up by more than a third on last year. This is a key indicator of how well the offshore industry is managing its major accident potential, and it really must up its game to identify and rectify the root causes of such events."

That is hardly a ringing endorsement of the UK's regulatory regime. The HSE's offshore division is calling on the industry to up its game, but rather than waiting to find out whether it has and what the implications of Deepwater Horizon are, and rather than waiting for any kind of scrutiny in Parliament, the Government have given the go-ahead to Chevron. Given the general failings of the industry in the North sea and the specific, terrible recent failing of a deep-sea rig in the gulf of Mexico, one might reasonably expect them to demand a fundamental re-examination of equipment and practices, but sadly, that has not happened. I even understand that the drill at Lagavulin will use the same safety equipment and contractor as Deepwater Horizon. Halliburton will do the cementing and a Cameron blow-out preventer is planned for the well.

The Select Committee heard that the essence of the UK's superior inspection regime—at least, we are supposed to believe that it is superior—is the fact that it is less prescriptive than others. Instead of having specific minimum standards in each area of drilling operation, the UK requires operators or duty holders to make sure that they have reduced the risks of their operations to ALARP—as low as is reasonably practicable. This means that it falls to inspectors to ensure that each company's way of achieving that is appropriate, so an awful lot depends on inspectors' judgment. Where do those inspectors come from? As the Select Committee heard, they are industry professionals who work for consultancies. To top it all, those consultants have a client relationship with the companies they are inspecting. This does not make a compelling case that the UK regulatory environment is superior.

Despite the Secretary of State's insistence to the contrary, Norway has taken a significantly different stance on the granting of deep-water drilling licences off its coast. Although it is allowing the drilling of wells from its previous licensing round—the 20th—to continue, when it comes to the latest round, the Minister of Petroleum and Energy, has maintained:

"There will be no drilling in any licenses on deep waters coming out of the 21st round before we have sufficient knowledge of this accident, including possible implications for our regulation."

He also cites the need to respect the precautionary principle, saying:

"The precautionary principle combined with a predictable framework, have to be the foundation for our petroleum politics".

These facts give the lie to Government reassurances that the UK's inspection and enforcement regime is far superior to the US system that so badly failed in the run-up to Deepwater Horizon. Indeed, if our system is so robust and fit for purpose, why would we need to

double the number of DECC's annual environmental inspections of offshore drilling rigs? The doubling of annual inspections does not, sadly, amount to very much, given that the baseline is so low.

DECC's written evidence to the Energy and Climate Change Committee states that in the first six months of 2010 it carried out inspections on 35 of the 282 operational oil and gas installations on the UK continental shelf. DECC inspected only one deep-water drilling rig in 2009-10, and as of September this year only one such inspection was planned for 2010-11.

What is at stake if a major incident such as Deepwater Horizon occurs on the newly permitted drilling site to the west of Shetland? Chevron UK has recently doubled its worst-case North sea oil spill scenario from 35,000 to 77,000 barrels leaked per day, 25% more than gushed into the gulf of Mexico. The managing director, Mr Cohagan, says:

"Deepwater Horizon has given us a new perspective on how bad things could be."

The environmental damage of such a major spill could be expected to hit many special areas of conservation—SACs—and specially protected areas on the coasts of the Scottish highlands and islands. In addition, severe damage could be expected to the four nearby offshore SACs, including Darwin mounds, home to deep-water coral that is protected by the convention on international trade in endangered species. However hard the clean-up operation has been on the Mexican gulf coast, such work would be significantly greater in the North sea, because colder waters mean that oil disperses far more slowly and there is much more potential for wildlife damage. The remoteness of the site, more than 160 miles north of Shetland, would add a huge extra strain to the clean-up operation, as would the likelihood of rougher seas and weather.

The Government have not only given the go-ahead to reckless deep-water drilling, but absolutely encouraged it. It has not happened by accident. The industry has been reticent about developing deep-water drilling, precisely because of the dangers and difficulties of so doing; and it is only because of recent tax breaks, which the previous Government and now the coalition Government have given to the oil industry to support the development of new, unconventional UK fields, that companies have geared up to go there. The increased tax breaks for companies drilling off the west of Shetland are estimated to be worth £12 billion over the next eight years, or £160 million per new field opened up. The Government's view, as stated in their evidence to the Select Committee, is:

"UK deep water oil and gas production is necessary during the UK's transition to a low-carbon economy,"

but their own figures suggest that the pursuit of fossil fuels hampers rather than supports the development of a low-carbon economy.

What else could the Government do with that £12 billion subsidy of one of the most dangerous and risky types of drilling we could imagine? First, they could end the subsidy and invest the money in energy efficiency and renewable energy technologies, which could fund a significant step in the transition to the low-carbon economy that the Government say they want. Importantly, there are far more jobs in that greener economy than in oil and gas. I understand colleagues' concerns about potential job losses if a moratorium goes ahead, and we need Government support to ensure that does not happen, but offshore oil and gas each provide only about 265 jobs per terawatt-hour of energy produced. In comparison, the same unit of energy from renewables, such as wind power, creates between 1,000 and 2,000 jobs per terawatt-hour.

Indeed, detailed analysis shows that investing in renewable energy could almost double the UK's total energy generation over 20 years and create at least 425,000 jobs, so that money should go into green energy. Half the £12 billion that is saved could be used to fund the green investment bank fully. There are great hopes for the bank's proper capitalisation, but the Government have so far committed only £1 billion to it. Estimates suggest that we need between £4 billion and £6 billion to make the bank a success, so I call on the Government to put some of that £12 billion into it.

I hope that other Members join me in calling on the Government to place a moratorium on all new deep-water drilling on the UK continental shelf—at the very least until the judicial review, and until we have the results of the US Government's investigation into Deepwater Horizon.

6.9 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a pleasure to respond to this important debate. I am grateful to the hon. Member for Brighton, Pavilion (Caroline Lucas) for securing it, although I have found it hard at times to understand what her motivation has been. Has it been in general opposition to drilling for oil and gas at all? That is what she indicated in Westminster Hall last week. Alternatively, is it specifically about the deep-sea issues west of Shetland, on which she has focused tonight? It would be helpful to have a clear understanding of exactly her objective and whether she is trying to end what is, for Britain, an extremely important industry. There is a great deal of confusion in the arguments that she has put forward. I shall try to clarify some of the issues, the Government's approach and why we have reached the decisions that we have made.

It is right to put this debate in context. We have all been profoundly concerned about the terrible accident at Deepwater Horizon earlier this year. It was a very serious and tragic event. Eleven people died and there have been huge consequences for the gulf of Mexico and those who make their living there. As new developments focus increasingly on more challenging prospects, including deep water, the situation presents Governments, regulators and the industry with a real challenge, which they must address. That has been recognised by the Energy and Climate Change Committee, which is conducting an inquiry into the matter with great thoroughness.

I want to pick up on one of the issues that the hon. Lady was talking about towards the end of her speech. She spoke about tax breaks, as if they involved money that could be spent somewhere else. The reality is that the companies pay in tax 50% or 75% of their profits from oil and gas production. To encourage them to go into more difficult, challenging and expensive waters, the Government have reduced that rate so that they pay slightly less tax. The consequence of what the hon. Lady is saying would be that those billions of pounds of funding from the North sea oil and gas sector would simply dry up completely. Far from having £12 billion, which could be reallocated to other facilities and services,

[Charles Hendry]

we would be billions of pounds short in the public finances, and massive cuts would have to be made elsewhere. That is the reality. We are talking not about a subsidy, but about a reduction in one of the highest rates of tax that any industry pays in this country.

Caroline Lucas: I want to clarify two things. First, I want to make very clear my motive for securing this debate: it is indeed to try to secure a moratorium on any new oil licensing, including the Lagavulin prospect, until the result of the judicial review and until we find out what happened at Deepwater Horizon. The Minister is correct: over time, of course, I would like to see a transition away from fossil fuels and towards green energy. However, I am not suggesting that we do that via a moratorium now; I am suggesting that the particular risks off Shetland are such that we should be acting.

Charles Hendry: I am grateful to the hon. Lady for that clarification, and I shall respond in the same tone. We have looked extremely carefully at the UK regime. We believe that it is absolutely paramount that we in the United Kingdom should have the toughest safety standards. We have a long record of safety. The UK was one of the first areas worldwide in which offshore exploration and production took off. We have four decades of experience. More than 10,000 wells have been drilled in UK waters, including more than 300 in waters more than 300 metres deep.

Our regulatory system has been developed to meet the evolving challenges faced by the industry. Following the Piper Alpha disaster, safety regulation was brought under the Health and Safety Executive umbrella, to get the benefit of its expertise in regulating major hazards. The Department of Energy and Climate Change, of course, plays a vital role in overseeing the environmental performance of the offshore industry.

In the light of the evidence, we have taken further steps to strengthen our regulatory regime by doubling the number of environmental inspections of mobile rigs, and we are satisfied that the regime remains one of the most robust in the world. I am sorry that the hon. Lady cannot recognise that. With great care and scrutiny, we have reassured ourselves about the steps in place, decided what more should be done to maintain our gold standard in oil and gas security and safety mechanisms, and made sure that we have gone a bit further to enhance that. People should welcome what the Government have chosen to do. Of course, we have been looking extremely carefully at all the information from the Macondo incident, and we will continue to do so. When those investigations are complete, we will determine what more, if anything, needs to be done to reinforce our regulatory approach.

The hon. Lady questioned the ability of the inspectors to do the work that is most important. We do not believe it is necessary to inspect every single offshore facility every single year, but we focus on those more challenging operationally, which is appropriate.

Caroline Lucas: It is interesting to talk about the checks that went on. In fact, Deepwater Horizon had been checked just two weeks before the tragedy happened, so we can put to one side arguments about the regularity of the checks. The hon. Gentleman talked about doubling them, but I understand that that still means only going from two to four, so that is not going very far. The point is that we do not know why Deepwater Horizon happened. One of the complicated aspects is that it was checked two weeks before, so why are we putting so much stress on that as a way of being able to say that we are certain that we will be safe?

Charles Hendry: I hope that the hon. Lady accepts that there has always been a fundamental difference between the way that safety is handled and monitored in the United States and how it is done here. We have had significant contact with the American Administration since Macondo, and they are looking to see what lessons they can learn from our regime. After Piper Alpha, we separated out the licensing roles and the health and safety and environmental roles, so the body responsible for health and safety—the HSE—has no financial involvement whatsoever in the licensing rounds. As a result, over 20 years we have had in place an extremely robust mechanism.

We believe that there is an imperative national interest in ensuring that we get the best of the resources available. The reality is that for all the ambitions the hon. Lady may have—we want to decarbonise this country as well—by 2020, and well beyond, we will still be dependent on a significant amount of oil and gas. We can either find those resources within our national waters or import them. About 17% of our remaining reserves in the United Kingdom lie in deepwater areas west of Shetland. About 3.5 billion barrels of oil of the remaining 20 billion or so on the entire UK continental shelf are in that area. We think it is a matter of great national importance that we should be maximising the economic recovery of those resources, and there is a great deal more that needs to be done in this entirely legitimate and proper activity. That is why we were pleased recently to offer 144 new licences in the 26th round. That shows the continuing confidence of the industry in the UK continental shelf and provides a strong basis for continuing exploration and development activity. We will encourage industry to continue to invest in exploration, development and production while maintaining high standards of management and minimising environmental impacts.

Caroline Lucas: On safety, I want to come back to the quote from the Health and Safety Executive's offshore division, which says that it is

"particularly disappointed, and concerned, that major and significant hydrocarbon releases are up by more than a third on last year"

and calls on the industry to up its game. The HSE itself is expressing that concern. How is that consistent with the hon. Gentleman's words about how safe everything is and how fantastic our record is?

Charles Hendry: If one looks further into the figures, one sees that the volumes released have been gradually coming down over time. We are safer, we have fewer leakages, and every single leakage is required to be reported. Any leakage is unfortunate and should be avoided or stopped, and any threat to human well-being has to be addressed, but I have never seen any industry anywhere with higher safety standards than the offshore oil and gas sector. Those people are constantly driving and striving to improve standards, and the Government will work with them in ensuring that they achieve that.

Let me turn to the Chevron consent at Lagavulin. The hon. Lady questions why we announced that while the House was not sitting. There is no requirement on the Government to announce the issuing of new rounds of licences to Parliament, but we have always done so, as we believe that it is right and proper that Parliament should know about it first. However, individual consents do not require to be announced to Parliament. Before we could make the announcement of the consent, we needed to be absolutely satisfied that Chevron's plans were fit for purpose, had been thoroughly assessed, and, in the light of any additional evidence from the challengers in the gulf of Mexico, had been tightened up even further. That meant, for example, that we required an update of the oil pollution emergency plan. We considered that very carefully, and not until Chevron was able to satisfy the additional requirements was consent granted.

The additional requirements included an exercise to co-ordinate the work of all the key contractors and to examine the roles, plans and procedures in place to prevent incidents and identify gaps and mitigations, taking into account the Macondo experience. Workshops were required for key onshore and offshore Chevron drilling and service personnel, to secure the alignment of all parties with Chevron's safety and environmental principles. An audit of Halliburton's practices and procedures by Chevron's in-house cementing experts was required, as was comprehensive checking that all relevant Chevron and Stena personnel held up-to-date certification in well control. Regular well control drills were required to test the equipment and crews weekly or more frequently. A dedicated safety meeting of all key rigging contractor crews was required, to review the key findings of the Macondo well experience. There were further steps to ensure that the blow-out preventer would operate reliably if needed, including a third-party audit of the equipment and the presence of a Cameron engineer on board at all times to maintain the equipment and its control system.

A further reason why we can have confidence in the system in this country is that we have also made progress in putting in place capping devices, so that if there is a disaster we can respond much more quickly. Since 1974, some 315 deep-water wells have been drilled in UK waters, with no blow-out or drilling-related oil spill, but we nevertheless require detailed contingency plans that can be brought into force in the event of a spill. Those requirements have been updated in the light of what happened in the gulf, and every single well is subject to detailed case-by-case scrutiny. We now also have containment devices from the gulf of Mexico in the UK, based in Southampton.

The work of OSPRAG is aimed at adding a third dimension to the equation—a capping device that can be deployed on any well head, not just deep-water ones, to mitigate and capture oil flows in the event of failures such as we saw in the gulf. That should be available by the end of 2011 or sooner. In addition, Chevron has developed a quickly deployable capping device that is located in Scotland and could be deployed on the Lagavulin well within nine days of any incident.

Caroline Lucas: Will the Minister answer just two questions? First, why was it so urgent to grant the licence now, before we have understood what happened at Deepwater Horizon? We do not know why that happened, so could we not have waited a few more months to find out before going ahead? Secondly, I go back to the HSE's stating that

"major and significant hydrocarbon releases are up by more than a third on last year."

Surely those two things should give the Government pause.

Charles Hendry: On the second point, the hon. Lady should examine the long-term trend and give the House the full details. She will see that, over time, there has been a steady reduction in injuries, leakages and emissions, and that there has been continual progress.

On why we made the decision when we did, we did not believe that there was any case for holding back the decision once we had been fully satisfied that every necessary safety mechanism was in place and every safety issue had been properly addressed. After all the extra questions that were put to Chevron, we believed that it had been able to satisfy that requirement. One must also consider the commercial factors involved. When a ship is available to do the drilling work, it costs thousands of pounds a day. Once we were satisfied that it was entirely safe and proper for the work to go ahead, there was no case for holding back further.

The hon. Lady made comparisons with the US approach, pointing to a difference between its prescriptive approach and our safety case approach. Our practice already includes, and goes further than, the measures being proposed under the new US rules. The US Government themselves have examined what needs to be done and lifted the ban on deep-sea drilling in the gulf of Mexico, which is beginning again. They have recognised that it can be done safely, even with all the tensions and pressures that exist in the United States on the matter.

In addition, we have established processes for environmental management that require operators to have an effective environmental management system in place before starting operations. The new US rules will require a similar system, but they will not be in place for another year. Whereas we already have third-party audit of the environmental management system, the US is still considering whether to adopt it.

We have looked carefully at the systems that operate here and elsewhere in the world and we have talked to the companies involved. We should not shy away from the fact that nowhere, apart from Norway, has such exacting standards on safety and environmental protections. The hon. Lady says that Norway has put in place a moratorium, but that is not correct; it has not adopted a moratorium on deep-water drilling, and a number of deep-water wells have been drilled in Norwegian waters this year since Macondo.

Caroline Lucas: In fact, I was careful not to say that Norway had put in place a blanket moratorium. I said that it had allowed ongoing drilling under the 20th round of licences, but that it will not release any licences under the 21st round—the new round—until it has learned the lessons. Surely that is the kind of model that we should follow. I come back to my point that I do not understand how Ministers can reassure the House that deep-water drilling is safe until we know why the blow-out happened. We do not know what went wrong, so we cannot be sure that we have put it right or made sure that it will not happen again.

Charles Hendry: We have looked at the safety mechanisms—the tests, structures, emergency procedures and fail-safe devices—to see how they are imposed in the United Kingdom. What happened in the gulf of Mexico happened under a very different licensing and safety regime. We have looked at practices here, and we believe that it is safe to go forward, particularly given the many years of deep-water drilling in the United Kingdom. That is the basis of our decision.

In addition, we have looked at the oil pollution emergency plans. We had a review of their format and content. As a result, plans submitted for all drilling activities must now assess the worst-case scenario, where all containment barriers have failed, resulting in a well blow-out that cannot be controlled in the short term. All ongoing drilling operations now have revised oil pollution emergency plans to assess the worst-case scenario. All OPEPs submitted by operators contain a section relating to oil spill modelling. Operators conduct computer modelling on worst-case scenarios to give an indication of the consequences that could arise if the scenarios were to occur. As such, that information gives an indication of where oil might beach on shore and of the time factors involved. That allows pre-planning to take place to address such issues.

The UK has a tough regulatory regime. Everyone anywhere who has looked at the approach in the UK believes that it is a gold standard to which others should aspire. However, we will continue to look at any evidence from anywhere in the world, and we will refine and improves things as necessary. We have made a number of changes in the light of Macondo, such as increasing the number of environmental inspections and seeking revised oil pollution emergency plans.

All drilling applications are considered on a case-by-case basis, and no consents are issued until DECC and the HSE are absolutely satisfied that the drilling proposals are sound and have taken into account the issues that contributed to the Macondo incident. More than 300 deep-water wells have been drilled to the north and west of Shetland with no incidence of a blow-out or oil spill. Deep-water drilling is not a new concept in this country; the industry has been conducting such activities here since 1974.

Taking account of those factors, we do not believe that there is a need to halt deep-water drilling on the UK continental shelf. As I said, the US has recently lifted its moratorium, and Norway has never had one.

The UK oil and gas industry is a great success story, but it does not always receive the praise and attention that it deserves. I have been offshore and seen first hand the dedication, determination and skill of the work force. The industry has shown continuous technical innovation to meet the tough challenges of operating in the North sea and beyond. It is of course vital that operations are carried out safely and that environmental impacts are minimised, and we must ensure that lessons are learned from the US incident. However, the UK regulatory system already provides one of the toughest regimes for the upstream oil and gas industry to operate in.

Caroline Lucas: Will the Minister give way?

Charles Hendry: I am about to conclude.

The industry's track record, particularly post-Piper Alpha, demonstrates its effectiveness. As I said, we have been looking closely at information from the Macondo incident and we will continue to do so. When those investigations are complete, we will determine what more, if anything, needs to be done to reinforce our regulatory approach. However, I can give the hon. Lady and the House an absolute undertaking that we will take no gambles or risks in making sure that we do these things in the most effective and safest way possible.

Question put and agreed to.

6.29 pm

House adjourned.

House of Commons

Friday 19 November 2010

The House met at half-past Nine o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Huw Irranca-Davies (Ogmore) (Lab): On a point of order, Mr Speaker. May I ask whether you have had a request from any Minister of Her Majesty's Government to attend this House to give clarification on the rather crass and insensitive statements of the enterprise adviser to the Government that we have never had it so good, and thereby to enable us to see whether the adviser retains Her Majesty's Government's confidence after making those statements? If not, perhaps, through your good offices, can I extend an open invitation to Lord Young to attend my constituency to deliver his address to an open public meeting?

Mr Speaker: I am grateful to the hon. Gentleman for his attempted point of order. The short answer is that I have received no such notification of an intention by a Minister to come to the House; and when the hon. Gentleman asks if he can issue an open invitation to the enterprise adviser, the short answer is that, as he knows, he has just done so.

Public Services (Social Enterprise and Social Value) Bill

9.34 am

Jacob Rees-Mogg (North East Somerset) (Con): On a point of order, Mr. Speaker.

Mr Speaker: The hon. Gentleman cannot raise that at this point. It should have come before, and it did not. What is required now is an indication of "now".

Nadhim Zahawi (Stratford-on-Avon) (Con): Now.

Second Reading.

Jacob Rees-Mogg: On a point of order, Mr Speaker, I beg to move that the House sit in private.

Question put forthwith (Standing Order No. 163), and negatived.

9.36 am

Chris White (Warwick and Leamington) (Con): I beg to move, That the Bill be now read a Second time.

I am proud to be able to stand here this morning and put this Bill before the House. Becoming the Member of Parliament for Warwick and Leamington has been a deeply humbling experience, and this Bill has brought home to me once again the responsibility that we in this Chamber all carry. I am honoured to be part of this process, and it is something that will stay with me for, I hope, a few years yet.

I take this opportunity to thank all the voluntary organisations, charities, social enterprises, representative bodies, officials and individuals who have helped me in the drafting of the Bill. I single out the Social Enterprise Coalition for its help and especially for its powerful advocacy for the legislation. I also thank the right hon. Member for Salford and Eccles (Hazel Blears) for her encouragement and support.

It would be best to start by setting out the rationale behind the Bill. At this year's general election, I, like many others, even on the other side of the House, ran on bringing positive change to our country and our society. The big society is an idea that I believe in, not only because it offers an optimistic vision for the future, but because it is common sense. It is one of the strongest ideals of recent times: every political party has attempted to embrace its principles and it has been espoused by many former Prime Ministers and Leaders of the Opposition. We should bear in mind, though, that the big society is nothing new in itself.

My right hon. Friend the Member for Witney (Mr Cameron), although a most passionate and effective advocate, did not create the concept of the big society. Let us not forget that before my right hon. Friend, a former Member for Sedgefield, Tony Blair, told his party conference in 1999 that Labour needed to revive civic society, based on fairness, equality and responsibility.

"We are citizens proud to say there is such a thing as society"

he said, but even before him, there was Baroness Thatcher, who in 1986 said that the

"responsible society is one in which people do not leave it to the person next door to do the job. It is one in which people help each other. Where parents put their children first. Friends look out for the neighbours, families for their elderly members. That is the

[Chris White]

starting point for care and support – the unsung efforts of millions of individuals, the selfless work of thousands upon thousands of volunteers. It is their spirit that helps to bind our society.... Caring isn't measured by what you say: it's expressed by what you do."

That sounds remarkably familiar. In the 1950s and '60s, Jo Grimond, leader of the Liberal party, articulated the vision of the big society when he talked about the need to revive the spirit of association that had once bound our nation together. The idea of a big society, a responsible society, or a civic society, is timeless. It has inspired politicians from all political parties for centuries. I believe that it encapsulates the idea that people can truly flourish only if they feel part of an organic, evolving and strong society. It recognises that we are not merely economic units to be put into certain boxes and cut off from others, but human beings who wish to belong and to feel actively involved in a wider society.

That is a powerful philosophy, and it has been the strong motivation behind my Bill. However, although it is easy merely to say what one believes, it is much more difficult to put forward concrete proposals that can help to realise those beliefs. This Bill is my attempt to do such a thing. In order to realise a stronger society and to build on those bonds within communities, we need to empower and champion civil society. We need to create the conditions for civil society to flourish. We need to create the opportunity for voluntary organisations, social enterprise, charities and socially responsible businesses to thrive. That will not happen by itself.

Although it is easy to look back on the past, perhaps even to the Victorian era, when many organisations sprang up with little Government intervention and philanthropy was fashionable, we are not in the same position today. Unfortunately, many years of centralisation from Governments of all colours have stifled the natural creativity of our communities and, given the difficult economic times we now face, it will be a challenge to stimulate the kind of movement necessary to realise the big society. Of course, Government cannot, and should not, see it as a duty forcibly to create this society—that would defeat the point and merely see one centralising structure replace another. Forcing communities to depend on the direction of central Government would undermine a stronger society and would not lead to any change to the status quo. That said, the Government do have a role to play in being the catalyst for the development of civil society and giving organisations and individuals who wish to reach out and build stronger social networks the chance to do so.

The elephant in the room, however, is money. Organisations across the country agree that civil society should be able to do more to provide services, and that there is fantastic potential for innovation and improvement in getting civil society more involved, but they ask the very valid question how they are going to be able to do all this. Civil society cannot function in a financial vacuum. Obviously, a great deal of work that civil society does is based on people volunteering time and money, but it would be foolish to pretend that that, in itself, will be enough. Capacity has to be built. People need to be trained—professionals who understand that many of the complex technical, legal and administrative issues that organisations face need to be paid for. Rents and equipment are not free, either. The financial pinch is already affecting civil society, and if we do not act, the development of the big society could be smothered by our economic problems before it has had an opportunity to flourish.

We must therefore be very careful that, in our zeal, we do not try to support these vital sectors of our economy on the cheap. We have a moral, as well as a political, obligation to ensure that we support this section of our economy during this difficult time. We simply cannot allow these organisations to fail. If we do not take the opportunity with which we have been presented to put into practice the principles and ideals that many of us campaigned on, it will be extremely difficult to do so in future. It will demoralise VCSEs—voluntary, community *and social enterprises—and* politicians will further lose public confidence. That is not acceptable.

The window that we have in which to catalyse this change within our society is not large—perhaps a few years at most. So how can we achieve this? The Bill marks a way in which it could be done. The UK taxpayer spends nearly £200 billion a year on procuring and commissioning goods and services, and while that funding will fall over the next four years, it will remain a significant amount. I believe that we should be using this funding, which we need in order to provide the services that people want, to leverage and galvanise VSCEs. If we want long-term growth and a general strengthening of civil society, we will need some stability in the funding that it receives. We cannot merely allow Government to throw funds at these organisations when they are flavour of the month, only to cut them when the newspaper headlines diminish. We need a situation whereby they can plan for the future, craft niches and roles for themselves, and know that what they are providing is good and that, as long as they serve their communities well, and innovate and create, they can survive and grow.

To quote a recent think-tank report, the UK is a "service hungry nation". This is not going to change over the coming four years. If the past few hundred years have taught us anything, it is that people have an insatiable appetite for services, and we can never predict what they will be demanding in future. However, we can see that there is a definite trend towards services that are more local, more personalised, and more responsive to our community needs. Civil society has a great opportunity to provide these services if it is given the chance to do so, and, once that has happened, to build on them.

Let me take the example of Sandwell Community Caring Trust, which started by taking over adult social care homes in the black country. It took over the failing homes, reformed the institutional structures, remotivated staff and reinvested in buildings and equipment. It has driven down the cost of adult social care and kept people in the local community in work, and it has now won a contract to provide NHS and social services in Torbay. It is an excellent employer that is well supported by the communities it serves. In short, it is a fantastic example of what this sector can achieve, and it throws down a gauntlet to the rest of the country, even areas close to home, to follow its example.

A report in 2003 by the Association of Chief Executives of Voluntary Organisations called "Replacing the State?" made it clear that there are also powerful reasons of quality for this approach, highlighting five reasons why civil society is better placed to provide services than

traditional providers. First, such organisations are more local and have a stronger focus on users than on providers. As every Member here will be aware, those who set them up are, more often than not, motivated by a sense of concern for their communities rather than a passion for profit. Secondly, civil society is far more co-ordinated than is usually the case in the public sector. Because of the natural interdependence that exists between these groups and the community-wide focus that they have, they can provide a far more holistic approach to delivering services, which is exactly what we need at this time.

Thirdly, at a time when the public are ever more distrustful of politicians, in particular, these bodies have a high level of public trust. It is not surprising that people are more willing to trust services provided by neighbours and well-meaning public-spirited individuals and organisations than by traditional top-down public bodies.

Fourthly, as I have mentioned previously in the House, civil society is one of the most innovative parts of our economy, and it has often radically changed the delivery of services for the better. Civil society organisations can engage where others cannot. They can reach out to communities and localities where traditional public service providers cannot. As they are formed from communities, they are better at engaging with them, and we should recognise and utilise that.

The Bill is not just about trying to help one set of providers at the expense of others, but also about getting higher quality provision, which I am sure all Members would support. It will not replace or undermine the concept of value for money, and I know that we must focus on that concept now more than ever. It is intended to make commissioners more enlightened in their approach, and to send a strong message to all areas of the public sector that what is currently seen as good practice should become normal practice.

We should not allow voluntary and civil sector enterprises to become dependent on the state for funding. That would not only damage civil society but completely undermine the empowerment of communities, which I am sure hon. Members of all parties are trying to achieve. However, I do not believe that that will be the case. Organisations across the country have consistently shown that far from wishing to become dependent on the state, they want to be able to compete on their own terms. They want to use such contracts as a base on which they can innovate and expand their activities, using their funding to further build their capacity and strengthen their community base. It is important to stress that we are not just trying to create new services and contracts in order to support civil sector organisations, but trying to open up existing contracts so that they can access them.

That flows into another matter about which my party often spoke in opposition and has continued to do so in government: the need for diverse providers of public services. There is already a growing public services industry in this country based on contracts from the Government. It is made up of a diverse range of organisations both large and small, from the private and VCSE sectors. It had a turnover of some £79 billion in 2007-08 and generated some £45 billion in value added. That rises to more than £88 billion if indirect impacts are included. It keeps 1.2 million people employed, rising to 2.3 million including indirect impacts. It is already a significant part of our economy—bigger than our communications and utilities industries—so the question is not whether we wish to create an industry for public services but what kind of industry can be created.

Of course, if we allow things to continue as they are, there is potential for a "supermarketisation" of our public services. Already, large private sector organisations are beginning to dominate the industry, and they are crowding out smaller and local competitors. I refuse to believe that that is the only option available to us. What I believe in is a future in which our public services are run by communities and the organisations close to them that have a sense of social responsibility and put people ahead of profit. We need a future in which public services see greater mutualisation, empowering clinicians, teachers and other public servants to take over the running of their services and deliver high quality and good value for money. We need to do more to get micro-businesses and small businesses working together to deliver better goods and services and build more sustainable supply chains.

Mr Christopher Chope (Christchurch) (Con): My hon. Friend will be aware, as a number of us are, of the concerns of the Federation of Small Businesses about his Bill—not about its avowed intentions, but about the possibility that it will have effects that are unintended but very damaging to the ability of small businesses to compete.

Chris White: I am glad that my hon. Friend brings up the FSB, which wrote to us only this week to state that it supports the Bill in principle. I hope that we can pass an exact copy of the letter to his office to ensure that we can discuss the matter come Committee stage—I hope—and that any input the FSB has can be put into the mix.

Mr Chope: May I assure my hon. Friend that only this morning I was talking to the deputy policy director of the FSB, who expressed her concern on behalf of the federation that he had not yet answered a lot of its concerns?

Chris White: I do not know whether the deputy policy director has had the opportunity to discuss the Bill with the rest of her organisation, but all I can say is that we have had a clear statement of intent from the FSB that it supports the Bill in principle.

The Bill is intended to create the right future for our public services. Across Government, Ministers are talking about engaging VCSEs in delivering public services. They want to mutualise and localise. I welcome that, as I am sure many Members do, but it will not be achieved through mere rhetoric. Those providers have been bidding for contracts for years, yet many still fail to break into public service delivery. Why is that? It is partly a question of cost. The cost of bidding for public services contracts in this country is far higher than that of bidding for contracts in the private sector. A report by the think-tank ResPublica highlighted the fact that the average cost of bidding for a public sector contract was double that of bidding for a private sector contract. The cost puts civil society organisations off, and if we want them to be more involved in delivery, we have to reduce that cost.

[Chris White]

The failure to break into public service delivery is also partly due to the complicated nature of bidding. Many organisations simply do not know how to bid for contracts, and even if they do, they often feel that they lack the necessary expertise to bid successfully. Given the prohibitively high average costs, they are worried about failure. The Bill does not address those points directly, although I hope they will be considered in good time. However, it is important that they be raised, and I believe that we need to do much more to remove those barriers.

What would be best is a widening of the concept of value. At present, "value" is a word that is often purely associated with financial cost. If one buys a box of eggs from one supermarket for 20p less than the price at a competitor supermarket, one is deemed to have got value for money. It has often worked that way in public service delivery. Sadly, the means of delivery and the potential benefits to communities are all too often ignored when it comes to considering the word "value". I know that many colleagues feel that that is as it should be; after all, if it is cheaper to use one provider than another, why should the taxpayer pay for something that, on the face of it, appears more expensive? However, by focusing purely on short-term cost, we ignore the potential long-term benefits that other organisations could deliver, particularly VCSEs.

Let us take the example of a local authority seeking to hire an organisation to renovate some social housing. There are two bidders. One will simply renovate the social housing, but another will not only do that but take on long-term unemployed people and teach them skills in the construction sector. It will go out to local schools and provide hands-on training so that children learn about the sector. Yet provided that it costs less, the first bidder will often get the contract. That is simply narrow-minded. If we take people who are long-term unemployed off benefits and put them into work so that they can learn valuable skills, and if we teach young people how the sector works, and maybe inspire some to develop related trades, we will bring not only environmental but economic benefits to the wider community. Surely that is better value for the community and better value for money.

In the long term, that is far more valuable than merely paying to renovate a few houses, it is more cost-effective for the taxpayer and it is more beneficial to our communities. In short, it is a better deal, but to get that better deal, we must be willing to consider all the aspects of value, not merely a narrow few. Of course, some bodies and organisations have noticed that. It would be unfair to mention merely one or two at the expense of others, but forward-thinking commissioners across local authorities and the public sector have been considering the wider social, economic and environmental benefits that such contracting attitudes and approaches can generate, which is a big step forward in realising truly intelligent commissioning.

Steve Baker (Wycombe) (Con): I am glad that my hon. Friend draws a distinction between values and price and that he recognises that great tapestry of rich value that comprises our lives. Does he agree, however, that a scale of values is absolutely intrinsic to individuals and that each of us values different aspects of our lives differently? With that in mind, why is it necessary to encode such scales of values in not only legislation, but central and local plans?

Chris White: I thank my hon. Friend for that. He has talked about two separate issues: the values of individuals and the values of our authorities and the commissioners in them. I think we would agree that those are different types of values; one involves people's personal interests, while the other involves the interests of the taxpayer and wider society. The second is where the Bill will come in to make sure that the taxpayer gets best value for money and that the community is more involved. Social enterprises, in particular, have a great opportunity to bid for public services and to provide that better value for money.

Commissioning that takes a more holistic view and reduces demand on future services, commissioning that engages with, rather than dictates to, communities and commissioning that drives standards upwards—that is the method of delivery that VCSEs are best at providing. When given the opportunity to do extra, to engage with communities, to work with local businesses and to generate true value for those communities, VCSEs do so and thrive in the localities in which they operate.

Andrew Bridgen (North West Leicestershire) (Con): Does my hon. Friend agree that whatever the state decides to take responsibility for and control of, individuals and the voluntary sector immediately withdraw from? As he said, the Government did not invent the big society, which has always been with us, but we will, I hope, give it room to thrive.

Chris White: I hope that the Bill will give us the opportunity to discuss these issues in a wider forum. We have a real opportunity to put some of these issues on the table. If the Bill passes through this stage, we will, I hope, be able to discuss further in Committee some of the issues that my hon. Friend raises.

Hon. Members on both sides of the House have spoken about how we need to generate more for less. By using social value, we can help to achieve the holy grail of generating more for less. By using the £150 billion the taxpayer already spends on services, by maximising what we get for those pounds and by using community groups, mutuals, co-operatives, charities and social enterprises to deliver services, we can achieve far better value and a far better deal for our communities. During these difficult economic times, we should not put blinkers on and adopt a mindset that says that reductions in public funding must necessarily lead to reductions in the quality and quantity of our services. We should think bigger, and civil society is key to that.

Now that I have had the opportunity to lay the groundwork for the Bill and to give an outline of why it is important for hon. Members to look at these proposals, I want to focus on the Bill's specifics. The Bill can be divided into three parts, and I have already described the rationale behind the third part, which is the most important and concerns social value in public sector contracting. The first two parts deal with strategies concerning social enterprises, which are a rapidly growing part of our economy. The work of the Social Enterprise Coalition, the social enterprise mark and the various

regional social enterprise organisations are playing an ever-increasing part in our economic and social development.

In recognition of the sector's potential, various Departments, from the Cabinet Office to the Department for Communities and Local Government, have created their own strategies and come up with ideas about how to help the VCSE sector. The Bill asks the appropriate Secretary of State to create one national strategy to look at the promotion of social enterprise. I hope that that would lead to the consolidation of all strategies across the Government into one clear, joined-up piece of work, so that we do not have a hotch-potch of strategies, which ultimately confuses and frustrates many in the sector.

I recognise that strategies and the like often cause many Members a nervous twitch, so I have done my best to find an estimate of how much such a strategy might cost in terms of manpower and consultation. According to the figures that I have been given, it is estimated that it would cost about £41,000. That is about £63 per constituency, under the current boundaries, or one tenth of a penny per elector.

Mr Chope: Will my hon. Friend give way?

Chris White: I would like to make some progress.

I recognise that we face difficult challenges, but the proposals are something for which we can and should pay. A clearer set of proposals from central Government and a more strategic outlook will do a lot to help this emerging sector.

In the second part of the Bill, I have tried to ensure that when locally generated sustainable community strategies are created, they consider social enterprises in their area. It is important that communities are given the chance to engage in the creation of sustainable community strategies, but there is a role for organisations such as social enterprises, which often emerge as responses to sustainability issues in communities. By considering such strategies and promoting engagement with them, we can help to generate more community-led and community-based solutions, empowering communities by promoting the vehicles that they can use to deliver solutions.

I hope that that is within the spirit of the legislation proposed by my hon. Friend the Member for Ruislip, Northwood and Pinner (Mr Hurd), who is now Parliamentary Secretary, Cabinet Office and whom I am pleased to see on the Government Benches today. I hope that organisations set up with the purpose of helping communities across the country will take part in such strategies and engage better with their communities. That said, we should consider the proposals within the framework of the present burdens on local authorities and be prepared to amend them accordingly should they be proved unnecessary or too costly a burden.

I hope that I have justified at some length the third and final part of the Bill, which relates to social value. The Bill asks all organisations that are currently publicly contracting authorities under the Public Contract Regulations 2006 to consider how they might promote wider economic, social and environmental well-being in a contract and how they commission such contracts accordingly. Although considering that wider social value during the contracting process is only a small technical change, it would bring significant benefits for our public services in terms of the quality of contracting. It would also benefit communities, social enterprises, voluntary groups and small businesses, which generate considerable social value.

I am honoured to be able to present the Bill on behalf of a large coalition of supporters from VCSEs, local authorities and small and socially responsible private businesses. The Bill comes at a time when people are seriously asking questions about the future of our public services and about how we deliver a stronger economy in a way that reflects the values of people and the communities in which we live.

Although rhetoric is important so that we can inspire people to join in the project and articulate a vision for the country that all can share, we must also be conscious of the need to take a definite course. I believe that the Bill is a practical step forward, which I hope representatives from across the political spectrum can support. By working together constructively, we can achieve a stronger future for our communities and a stronger financial footing for our VCSEs. The onus is on us to think radically and, more important, to act boldly. I hope that the Bill can make a small contribution to a wider effort to boost our civil society, sustain the civil economy and make our public services better than ever. I therefore urge my colleagues to support the Bill.

10.10 am

Hazel Blears (Salford and Eccles) (Lab): I congratulate the hon. Member for Warwick and Leamington (Chris White) on two counts: on being successful in the ballot at his first attempt, and on deciding to pursue such a course. At first sight, the measure appears relatively modest, but I genuinely believe that it is a small Bill with a big intent. He introduced the Bill with characteristic quiet determination. As it goes through its various stages, some of that quiet determination will doubtless be needed.

I broadly welcome the Bill. The hon. Gentleman generously acknowledged that the idea of extending social enterprise and involving communities in helping to run, manage and govern services is not new. It dates back many years, and a range of community groups throughout the country have pursued such work in their communities for decades, making a difference and ensuring that voluntary organisations are well supported. The Bill tries to formalise that position and use the power of public procurement to ensure that community groups, which are often fragile and lack sustainable resources, can have a sustainable future. That is at the heart of the Bill.

If the hon. Gentleman succeeds in ensuring that we use the power of public procurement at national Government and local government level to give people some stability so that voluntary organisations and social enterprises can plan for the medium and long term, he will do a great service to many of our groups, which unfortunately currently spend the majority of their time going round with a begging bowl and living a hand-to-mouth existence looking for temporary grant funding instead of getting on with the job they are there to do—serving the community. If he can provide that sustainability, it will be a welcome step forward.

[Hazel Blears]

The hon. Gentleman recognises that the agenda is not new—Governments of all shades have tried to pursue such issues. I had a White Paper in 2008, "Communities in control", which tried to take much of the agenda forward and suggested a national social enterprise strategy. I appreciate that strategies are not terribly popular, but something that applies across Government and affects every Department needs joined-up policy making. I ask some Conservative Members not to be quite so sceptical of planning and ensuring an integrated approach to the agenda, because that is the key to success.

The third aspect of the Bill is the most important—not the strategies, which are a means of delivering, but the commissioning for social value. It is radical, and I urge the hon. Gentleman not to limit that to the social enterprise sector. It is key that commissioning for social value applies to the public sector and the private sector when it provides public services, as well as the third sector. There is always a danger in this area of policy making that commissioning for social value becomes a nice thing to do for voluntary organisations, charities and the third sector, but we are considering mainstream procurement and commissioning and changing the value set of commissioning to ensure that from the public money that we spend we gain the maximum impact in social value. That is quite a new field.

How do we measure social value? What do we mean by it? A great deal of academic research is being done on it and there is no settled view. The hon. Gentleman gave one example: creating local supply chains. Evidence already exists to show that if we use our public money to support local businesses in a neighbourhood, we get a much larger multiplier effect—approximately £7 for every pound of public money spent—to sustain that local economy, support jobs and enable poorer communities in particular to thrive and develop. That work is still at a fairly formative stage and I hope that, in Committee, we can debate what is—and, indeed, what is not—social value.

Steve Baker: Listening to the right hon. Lady's remarks, I am reminded of a book on social value that was written in the 1920s. Much as I would associate myself with almost everything that my hon. Friend the Member for Warwick and Leamington (Chris White) said, it seems that socialists have spent nearly 100 years trying, but failing, to define social value loosely. Socialists are no more likely to succeed today than they were in the 1920s. I ask the right hon. Lady to state in concrete terms how she would measure social value.

Hazel Blears: I have already said that there are many different views and that it is a developing subject. If the hon. Gentleman claims that the concept of social value is a socialist idea, perhaps he is inviting the hon. Member for Warwick and Leamington to cross the Floor.

Steve Baker: Of course, we all value society. The right hon. Lady may know of the Cobden society. We gleefully reproduce Cobden's words:

"Peace will come to earth when the people have more to do with one another and the government less."

That is precisely the point: when the people have more to do with one another and the Government less. I fear that we are here today to discuss how the Government can have more to do with creating a strategy for that most delicate system of relationships—human social co-operation. Of course, we all value relationships and society, but we differ—it is a fine point, but probably the one about which we have argued most sincerely for more than 100 years—about the extent to which state power should be used to intervene in the dynamic process that is social co-operation. It seems to me that we have moved on—

Mr Speaker: Order. May I gently say to the hon. Gentleman that interventions, even when they constitute a kind of philosophical musing, must be brief?

Hazel Blears: I am grateful, Mr Speaker. I fundamentally disagree with the hon. Member for Wycombe (Steve Baker). If his idea of building a strong and vibrant society is leaving people on their own to get on with it and sink or swim, I entirely reject that. I genuinely believe that the best society is a partnership between active and enabling government—nationally and locally—and the ideas, innovation and passion that local people bring. When a commitment to support people from government and the passion and entrepreneurial spirit of local people are brought together, something really special is created. If they are divided, and we say, "Government must do this in a monolithic way" while local people are left on their own, unsupported and unsustained, we do not get the synergy that makes a difference to our communities. I therefore fundamentally reject the hon. Gentleman's comments.

Steve Baker: I shall be very brief. The right hon. Lady paints a dreary picture of society as being entirely dependent on the state. I agree with much that she has said, but not with the key point that the state must act.

Hazel Blears: I am rarely accused of being dreary. I am usually accused of the opposite. If the hon. Gentleman will listen to my further remarks, perhaps he will revise his view.

Andrew Bridgen: I will bear in the mind the guidance on interventions that the Speaker has just given us. Will the right hon. Lady bear in mind that socialism does not and never will have a monopoly on social conscience?

Hazel Blears: I would never try to make such a point. In our country, we live in a vibrant and much admired democracy, with different political views, and people of all parties support civic organisations and community groups. I would never claim to have a monopoly on the good things in society. However, I genuinely believe that the best way to achieve our aim is through a partnership, with state action supporting local people and freeing them to make that difference. That seems to be a fundamental difference between me and some Conservative Members. However, I do not believe that that applies to the hon. Member for Warwick and Leamington.

Jon Trickett (Hemsworth) (Lab): My right hon. Friend is making a strong case and she does not need my help. Does not the Bill suggest that the state, through its procurement policies and through strategy, should intervene

precisely to build what Conservative Members call the big society? Is not it curious that Conservative Members, who seem to support the Bill, are trying to form a philosophical divide between my right hon. Friend and them?

Hazel Blears: I am beginning to feel quite protective of the Bill, but I do not want to create any further divisions between the hon. Member for Warwick and Leamington and his hon. Friends.

I want to give a couple of examples from my constituency of groups that have been social enterprises for a considerable period, because considering what happens in real life, on the ground, will benefit the debate. Unlimited Potential has been going for about seven or eight years. It has a turnover of £1.5 million and employs 30 staff, 90% of whom live within a couple of miles of the business. It provides health trainers and expert patients and is commissioned by the primary care trust. This year, for the first time, it became totally independent for its funding and no longer relies on grant funding. It is an extremely successful social enterprise.

My second example is B4Box, a construction company and social enterprise. It is led by an inspirational woman, Aileen McDonnell, which is rare in construction, and it has been going for a number of years. She does building contracts to refurbish the properties of registered social landlords as well as construction projects. She takes on young men and those in their late 20s or early 30s with histories of drug abuse, alcohol problems and homelessness, and gets them through to national vocational level 2 and sometimes to level 3, and transforms their lives. At the same time, she ensures that properties are refurbished and that they are fit for people to move into. I cannot think of a better example of using practical work and skills on the ground and changing the lives of young people. I had the pleasure of presenting the NVQ certificates to some of those young men—the staff also included a young woman plumber, who was the best plumber I have ever met. Their stories are inspirational. Aileen McDonnell's latest project is the building of a centre for homeless people. During the procurement process, five of the homeless people who lived in the previous centre were employed and got their NVQs. She discovered the best painter and decorator in the homeless person's centre that anyone can imagine.

The creative commissioning in which my local authority and Salix Homes have been willing to engage costs slightly more than other commissioning, but they have considered more than the bottom line and what comes at the cheapest price. They recognise that training people and transforming their lives is valuable. Aileen McDonnell has proposed an amendment to the legal framework of Joint Contracts Tribunal contracts so that both performance, quality and price, and training and the transformation of people's lives, are considered during the procurement process. A similar legal framework in other areas would be extremely useful.

My third example is a social enterprise in the health service. The hon. Member for Warwick and Leamington will know that the previous Labour Government introduced the right to request for organisations in our public services that wished to become social enterprises. The Angel Healthy Living centre in Salford is in the process of becoming a fully fledged social enterprise within the health service as part of round 2 of the right to request. It provides a range of well-being services in the community and works with a range of charities and voluntary organisations. It too has an inspirational leader, Scott Darraugh, who runs the centre. It has been going for 12 years, so it has been a long journey.

People involved in social enterprises have succeeded almost despite the system and they have faced many hurdles. The benefit of the Bill is that it seeks to re-engineer the system so that it positively encourages people to come forward. If the hon. Member for Warwick and Leamington succeeds in lifting that huge burden and cutting through the fantastic amount of frustration that people feel because the system stands in the way, he will have achieved a great thing.

I will sound a few notes of caution on the Bill. First, there must be no sense that social enterprise can be a transition to privatisation. If the Bill was a stopping point on a fast track to converting public services to private services, that would damage the sector enormously. The whole sector would be concerned about that.

Secondly, the Bill's definition of social enterprise is insufficient. The Bill also contains no asset lock for assets brought from the public services into social enterprises. The hon. Gentleman must consider that; otherwise—I do not believe that this is his intention—public services could move to social enterprises and to the private sector in a very short time, which will negate the social value of which he spoke.

I would much prefer a co-operative, mutual model that has democratic governance built into its legal framework. The Labour manifesto mentions extending

"the right of public-sector workers to request that they deliver...services through a social enterprise",

but it also talks about

"greater community involvement in their governance."

The hon. Gentleman must think seriously about ensuring greater community involvement. It is not just about the social enterprise itself, but about introducing a democratic element to give some form of accountability. If fragmented social enterprises deliver public sector projects, we will not have the accountability, standards and quality that the public will demand. Public money is spent on public services, and the public want quality, standards and accountability.

My other note of caution is about social enterprise staff. Again, this is not what the hon. Gentleman intends, but the Bill must not be used as a means of providing public services on the cheap at the expense of the terms and conditions and wages of public sector workers, and of their ability to do their jobs. It is important to have a grown-up, mature discussion to allay the concerns in some parts of the trade union movement. Unlimited Potential recently signed a union recognition agreement with Unison. That conversation needs to happen, because we need reassurance that moving to a social enterprise model is not simply about doing things on the cheap and driving down wages. He talked about doing more for less, but that is a different concept.

My other big concern is funding, which the hon. Gentleman talked about. The £100 million transition fund recognises some of the challenges that charities and social enterprises face in this difficult economic climate, but it is a drop in the ocean. The New Economics Foundation and the New Philanthropy Capital think-tank have estimated the gap in funding for charities, social

[Hazel Blears]

enterprises and voluntary groups that will result from local government cuts at between £3.2 billion and £5 billion. That is a massive black hole in funding. The £100 million transition fund is welcome, but it is nowhere near enough to sustain those organisations in the years to come. He may well change the system and the other good things in his Bill, but he might find that many social enterprises have fallen by the wayside, because their funding has been cut and local government can no longer provide funding. The Government need to do much more in that respect. The big society bank may next year have £60 million roughly, but there is a desperate need to ensure that funding is in place so that those organisations have a sustainable future.

Finally, the hon. Gentleman should consider the integration of services. If we are to be more efficient and provide more personalised services, joining up services, whether in health, education, housing or regeneration, is essential. If social enterprises simply spin off from each other and if there is a plethora of different providers that are not joined up, we will lose the benefits of a holistic service. If that happens, we would be unable to bring provision together, for example, for an ex-offender who needs a home, drug treatment, a job and an opportunity. As we take this Bill forward, and build on the work of the Total Place schemes in communities and local government—and community budgeting—the idea of providing integrated services is very powerful. We all know that in our communities it is often a small minority of the most troubled individuals and families who cost public services the most. If we are able to integrate services better, we will achieve efficiencies and better outcomes. The best example is the family intervention projects, which we introduced to deal with antisocial behaviour. Before, those families were costing the taxpayer about £250,000 each through a series of public sector interventions, which did not change their behaviour. When we integrated services, and provided a personalised approach, it probably cost £50,000, but in 80% of the families behaviour improved dramatically. There is good, solid evidence that integration works, and I urge the hon. Gentleman to take that into account during the Bill's progress.

I have laid out my cautions and reservations, but I finally wish to reiterate my support, and my party's support, for this Bill. It is refreshing to find a degree of agreement across the House. That does not mean that we will not test each other rigorously and in detail as the Bill makes progress, but I congratulate the hon. Gentleman on the Bill and on the generous and inclusive way in which he introduced it today.

10.31 am

Harriett Baldwin (West Worcestershire) (Con): I am grateful for the opportunity to speak on this interesting private Member's Bill, and it is an honour to follow the right hon. Member for Salford and Eccles (Hazel Blears) because she obviously knows such an enormous amount about this topic. I draw the House's attention to my entry in the Register of Members' Financial Interests. For the last couple of years, I have had the privilege of sitting on the board of the Social Investment Business—a social enterprise itself—which has been a fascinating place from which to observe some of the issues and challenges in the social enterprise sector.

The social enterprise sector is not widely known or acknowledged by the public. If we asked people in the street to define a social enterprise, I think that most people would look fairly blank, but the right hon. Lady gave us some excellent examples of social enterprises in her constituency, and most people will have heard of organisations such as Jamie Oliver's Fifteen. It is a restaurant that runs on a commercial basis, but it helps young people who are struggling to get into employment by training them as chefs. People have also heard of organisations such as Cafédirect and *The Big Issue*—the latter being a social enterprise in which the commercial magazine helps homeless people to earn an income. However, social enterprise still has some work to do in engendering public knowledge, understanding and acceptance of what it does.

From the perch that I have occupied for the last couple of years, it has been fascinating to observe some of the issues and challenges for the social enterprise sector. In particular, I have chaired the investment committee, which has disbursed the money from the Futurebuilders fund, which was almost £200 million of Government funding that was designed to be used in loans to completely unbankable social enterprise organisations. If social enterprises were trying to win contracts from public sector organisations, the Futurebuilders money was designed to be the last resort. If organisations had already been to the banks, applied for grants and pursued all the other sources of potential funding, but still needed that last little bit of funding to make the project viable—the unbankable funds—the Futurebuilders fund could help.

The fund has now been fully disbursed and, for the last five or six years, it has been a portfolio of loans. I wonder whether hon. Members wish to guess what the annual default rate has been—in this very tough financial period—on that series of unbankable loans to social enterprises.

Dr Thérèse Coffey (Suffolk Coastal) (Con): My guess is that it would be less than 1%.

Harriett Baldwin: That is an extremely low rate, but in fact the annualised default rate has been just over 1%. The case has been proven that a portfolio approach can be taken to investment in such social enterprise organisations.

I am sorry that my hon. Friend the Member for Wycombe (Steve Baker) is no longer in his place, because he and I have enjoyed many lively debates on many different topics and I would have pointed out to him that we do have an arrangement in this country whereby the Government spend money on behalf of taxpayers—and that is an accepted fact. This Bill would helpfully draw to the attention of the procurer who spends public money the existence of social enterprises, which might offer an attractive alternative to the state building its own apparatus or to a private sector provider.

Nadhim Zahawi: I congratulate my hon. Friend the Member for Warwick and Leamington (Chris White) on introducing this Bill. Two Fridays ago in Stratford-on-Avon we held a big society day. Local government attended and we had standing room only. Two things emerged. First, what Government can do is to provide—in business terms—the mission statement. Secondly, that

mission statement then needs to be implemented locally in, perhaps, diverse ways. That is where the gap in the debate may occur.

Another point that emerged from the big society day was the overlap between social enterprises and voluntary providers. We need to send a message to them that in such cases it would be of benefit to both if they worked together more closely, which could make them more successful in bidding for some of this money.

Harriett Baldwin: I thank my hon. Friend for that informative intervention. I, too, represent a constituency that has many shining examples of big society organisations. From my perch on the investment committee at the Social Investment Business, I have been able to see many different social enterprises across the land that are flourishing—from Salford to Stratford—and that would be helped by being brought to the attention of public service procurers in other areas. By outlining the need for a national strategy, my hon. Friend the Member for Warwick and Leamington has introduced a very helpful Bill.

As we all know, there is allegedly no money left, so it will probably not be as easy as it was to help the social enterprise sector. I am sure that the right hon. Member for Salford and Eccles would agree that even had her party been elected to government it would have found it difficult to provide similar amounts for funds such as the Futurebuilders fund as they did before. Therefore, we need to emphasis the role that foundations, philanthropists or people who would like to invest in an ethical individual savings account could play by providing a portfolio of funding to help to draw on the experience that Government money has developed over the years, as well as the low default rate and good rate of return.

Dan Byles (North Warwickshire) (Con): What I find most interesting about my hon. Friend's speech is that she is making the clear point that social enterprise is not the same as charity, and that it can be a financially and economically sustainable model.

Harriett Baldwin: Indeed. I do not want to rule out the possibility that charities may want to use loan finance from time to time; obviously, they often do. My point is that, in this sector, we do not need to rely solely on help from Government procurement and funding. I want to put on record that if it is to continue to experience rapid growth, there is also a role for other providers of capital. We have had the fascinating example of the social impact bond. I believe that contract involved a charity, rather than a social enterprise, which was looking at a way of reducing reoffending rates. The rate of return that investors could earn on the social impact bond was a function of how successful the charity was in delivering on that contract. That is another creative and innovative way to find more money to help the social enterprise sector to grow.

With the Minister in his place on the Front Bench, I would like to take the opportunity to refer to a policy that the Conservative party was considering in opposition—the role of the social enterprise zone as a means of the Government helping social enterprises in particular areas to attract money from private investors through additional tax breaks.

This is potentially a very powerful and excellent Bill, and I am delighted to urge all my colleagues and all Opposition Members to support it.

10.42 am

Richard Fuller (Bedford) (Con): It is my great pleasure to follow my hon. Friend the Member for West Worcestershire (Harriett Baldwin) in supporting my hon. Friend the Member for Warwick and Leamington (Chris White) and his Bill. I also pay tribute to the right hon. Member for Salford and Eccles (Hazel Blears), who spoke about the Bill with her characteristic upbeat breeziness. She was absolutely right to do so.

The Bill has three merits. First, it is a recognition of the coming of age of an institutional form. Secondly, it is a celebration of entrepreneurship. Thirdly, we must understand that the Bill is an enabler of very positive things that can be done to promote the support and funding of our social goods. It is therefore an absolute pleasure to support my hon. Friend the Member for Warwick and Leamington.

On the point about the history of institutions, I shall avoid too much philosophical musing. *[Interruption.]* Well, I shall do a little. Each of us as an individual has motivations: things that inspire us and push us to achieve our goals and objectives in life. But most of us are very reliant on institutions to enable us to achieve our goals. That may be our local Church, a programme run by a local council, a trade union that is there to defend us and motivate us in a particular way, a small business that we work for or an entrepreneurial leader whom we follow in order to create our own business. Historically, we have had to give something up in return—our motivations have to be shaped by the motivations of that institutional form. In the military, people cannot make things up as they go along; they have to follow orders to achieve their objectives. Similarly, in corporations, there are certain guidelines intended to achieve shareholder value. I am quite doctrinaire about this. I think that it is important that institutions are clear on their purpose, which is why I welcome and celebrate the growth of social enterprises as a new institutional form.

Social enterprises overcome some of the concerns about trying to make for-profit companies adhere to non-commercial principles. I remember many years ago arguing with Professor Amitai Etzioni about the role of corporate and other organisations. I have not changed my opinion on that over the years. Subsequently we saw the growth of cause-related marketing and other factors that were trying to find a more creative way for for-profit companies to pursue their social objectives other than through traditional donations and sponsorships. Although those have their place, there has always been a gap for a new form of institution to play a role—one that social enterprises have come to play most forcefully over the last 20 or so years. That has helped in that our motivations can now have a different set of stabilisers rather than the straightforward ones of the past.

The Bill is important because it recognises that role. Those of us who were here in the debate about growth last week will remember listening to the hon. Member for Brighton, Pavilion (Caroline Lucas) talking about how we can recognise different manifestations of growth and get beyond a pure statistic of GDP growth. That is another reason why these new forms are very important.

[Richard Fuller]

I said that this was a coming of age—kind of a 21st birthday—mainly because it was about 21 years ago that I was trying to understand what we could do after the changes wrought both in this country under a Conservative Government and in the United States under President Reagan's Administration which had identified, certainly for Conservatives, the weakness in government, as an institution, in providing the social goods that many of us as individuals want. I am a firm believer that each of us has a view of fairness, and that we aggregate those views to come up with a collective view of what is fair, or what fairness represents for us as a society. We saw in the 1980s that people had misgivings about the weaknesses of the state and government in delivering, effectively and efficiently, those social goods and services that we wanted.

For a period, for many of us there was a lack of balance. We were not enabling the provision of a sufficient number of social goods and services, not because we did not want them, but because we did not believe in the ability of the government structure to provide them on our behalf. That institutional failure has been addressed over the intervening 20 years, and I again pay tribute to the work of the last Labour Government in identifying that weakness and looking to stimulate alternative ways of providing those goods and services.

Entrepreneurship is, to me, one of the most wonderful motivations that someone can have in life: one has a vision, a mission and an idea, and one wants to create and do something for society. That is extremely important. I am a firm believer in small businesses. I know that in my own community of Bedford and Kempston we rely on small businesses to create prosperity and jobs for the future. But entrepreneurship does not have to come from a profit motive; it can come from a social motive. The inspiration for a doctor is not making a lot of money; it is making people better. The inspiration for many entrepreneurs may not be a desire to maximise their personal wealth; it may well be that they want to have an impact in their local community. For organisations such as the Federation of Small Businesses we need to embrace that sense of different motivations that enable people to say, "Here's my creativity. Here's my inspiration." I believe that the Bill will enable us to do that.

Steve Baker: I associate myself closely with my hon. Friend's comments, but I remain confused about why we need to encode this creative search to produce value for others in national and local plans.

Richard Fuller: I will try to address my hon. Friend's point, which I heard earlier and think is a good one, but let us be clear that this is not a doctrinaire or Stalinist interpretation—"Thou shalt do this". Rather it would provide different measures that local authorities can take into account. There is a prevailing assumption that local authorities and others look only at least cost, but that partly works against what motivates Government Members, who want to promote entrepreneurship. It is not what we want to see. I will talk later about a couple of those things. I hope that he understands that this is not—I would not support such a thing—some fearful rolling forward of the state. It is a new and better way of providing social goods and services that will not rely on the state and is in part a rolling back of state bureaucracy.

My hon. Friend the Member for Wycombe (Steve Baker) made a point about social value and profit. It is worth recognising one of the severe, if not unintended, consequences of current procurement processes—the focus on lowest cost. We should always try to do better for less, but as the right hon. Member for Salford and Eccles and others mentioned, that is not necessarily the same thing as the pursuit of lowest cost. As we know from our constituencies, local services matter to local people. It is quite hard always to motivate people on the issue of lowering their council tax, but we can motivate them if we decide to close a local service.

There is a boundary here. If we are honest and true to our constituents, we should wish for something more than price-only considerations in the procurement of our local services. That matters, because if we pursue, as we have done, a low-cost approach, the surplus in local communities will get exported, and we will see the growth of national organisations that will take that surplus, which could go to a local small business or local social enterprise, and export it to national shareholders. That is not necessarily a bad thing, but we need to get back some balance, and the Bill would do a good job in providing that balance to local commissioners in the procurement of local services.

The Bill is extremely timely. Many Members have mentioned some of the impacts of the reductions in public expenditure that are necessary in order to get it back in line with our ability to raise money. It is timely because there are a lot of good local services and local assets that could be transferred to social enterprises. All Members, on both sides of the House, have a vested interest in ensuring that we do that as rapidly as possible, and the passage of the Bill today would assist in doing that.

Hazel Blears: The hon. Gentleman says that there are many assets that could be transferred to social enterprises. Does he agree, however, that it is important to protect those public assets, so that they do not simply end up on the fast track to private ownership as a result of this process?

Richard Fuller: The right hon. Lady makes a good point, although I would not be quite so averse to assets held in the public domain transferring to private sector companies. Part of the spirit of the Bill is to try to break down the hostility between the two. There are many examples of local services provided by for-profit companies that do a fantastic and excellent job. My concern is that as we try to balance our books, good services might get lost in the mix. In that mix, we need to have for-profit companies, good councils considering whether to continue with certain services as they make tough decisions, and funded social enterprises available to provide a third alternative for local services in the future.

Hazel Blears: Neither am I hostile to entrepreneurial companies, which make a tremendous contribution to our economy. However, when public assets are transferred to social enterprises, which might be the right thing to do, there ought to be some element of democratic governance to ensure, first, that local people can have a say and, secondly, that we have in place a mechanism that does not simply result in assets for which the public have paid being transferred directly to the private sector and being used to make private profits that are not then reinvested in our community services.

Richard Fuller: The right hon. Lady is much more familiar with, and expert in, this area than me, but there is a difference between mechanism and consideration in local accountability. We have the mechanism. It consists of our local councils and our democratically elected councillors, who are there to make these judgments. However, we want to enable them—and the Bill would do this—to have consideration of the factors and features that she mentions, rather than the sole consideration of lowest cost, on which they often focus their efforts and attention, particularly at times of budget concerns.

Dr Thérèse Coffey: Following on from the intervention by the right hon. Member for Salford and Eccles (Hazel Blears), one of the concerns expressed to me by some of my constituents is not so much that profits could be made out of public assets, but about how, if companies fail, which they sometimes do—it is one of the essences of the market—those assets will be recovered, so that services do not go away or get stripped. That needs some consideration in Committee.

Richard Fuller: My hon. Friend makes a good point, and I agree that we want the opportunity to discuss these issues in Committee.

Where will the Bill lead? The right hon. Member for Salford and Eccles—I apologise for referring to her again—talked about this being a relatively modest-sounding Bill that could have significant consequences. From my short time looking at politics, that often seems to be the way. The Conservative Government in the 1980s, when they started with their approach to privatisation, were probably not aware of what a significant wave of change they were unleashing and that it would be a model around the world. In a different way, this Bill and the additional measures that I hope the Government will introduce, building on the work of previous Governments, could have the same significant impact.

To make that happen, however, we need a couple of additional efforts. First, we need to recognise that many social enterprises and charities are institutionally small and consist of few people—perhaps 10 or 20—a lot of whom might be volunteers. They might have a lot of spirit, but the procurement process will be quite complicated for them, so we need to enable them to come together to procure efficiently and compete effectively with the very efficient and knowledgeable for-profit procurement companies. I hope that the Minister will, either today or in the months ahead, come forward with suggestions for how that can be better enabled, so that the window opened by the Bill can be taken advantage of by these social enterprises.

Mr Chope: Does my hon. Friend agree that it is equally, if not more important that small for-profit businesses run by local entrepreneurs should be able to compete for these contracts? At the moment, only 16% of public contracts are taken by small businesses. Should we not be concentrating on that as well?

Richard Fuller: My hon. Friend makes an excellent point. One of the consequences of the Bill would be that local and national Government would have to start thinking more locally about where they procure services. I, for one, believe that a local business making a local profit that is retained in its local community is of enormous social value to its local community. At the moment, as I was saying earlier, some of that profit is being exported. The very fact of passing the Bill would assist social enterprise, but would also help local businesses that do so much in their local community. That is why I welcome it so much.

The Bill would also have an impact on the financing of our social enterprises. Many right hon. and hon. Members will be familiar with the social finance work and the initiative in Cambridge with the St Giles Trust looking at ways of constructing the support for financing social services and social goods in a way that is more oriented to successful outcomes and takes away from taxpayers the one-way, pay-it-whatever-the-outcome approach to social services and social goods. That is another step that we need to take. This Bill is an enabler down the path of providing a comprehensive and different way for each of us as individuals, with our motivations and our sense of fairness, to be able to rely on a different institutional form—the social enterprise—to achieve what we all believe would be in the best interests of our country and our people. I commend my hon. Friend the Member for Warwick and Leamington and the Bill.

11 am

Ben Gummer (Ipswich) (Con): We have enjoyed an interesting debate so far, and one that has on several occasions skirted around the general issues of interaction between the state, private enterprises, so-called social enterprises, charities and voluntary groups. It is a fascinating subject that deserves far greater discussion than even we have afforded it under this new coalition Government.

Given that we are having a general debate, and given the nature of the Bill, the figures outlined by my hon. Friend the Member for Warwick and Leamington (Chris White), and the number of people engaged in social enterprises and the voluntary sector throughout the country, it is sad that the Chamber is only this full. Although the debate is a good one with the right hon. Member for Salford and Eccles (Hazel Blears) representing many Labour Members, I wonder, if the Bill had been supported in some measure by the Public and Commercial Services Union, how many Opposition Members would have been here, given that we are talking about similar numbers of people. Perhaps it is a good thing that they are not here. I am not sure that many of them would like their views on socialism to be represented by the right hon. Lady. Her views are probably more enlightened than those of many hon. Members who often sit with her.

We have had a discussion on the general issues, but I wanted to speak in this debate to give a local case study to explain why elements of the Bill are so important. I have had several discussions with the Minister, whom I am delighted to see in his place. He has been most helpful with this local issue. This is not an egregious attempt to discuss various institutions in my constituency; I want to provide the House with an active case study of why the elements in the Bill are so important. I shall return to the elements with which I have difficulties, but some have much to commend them.

It is an unfortunate fact that many voluntary organisations spring up at moments of crisis, or from a deep or yearning concern about deprivation or social problems. That is certainly the case with one organisation

[Ben Gummer]

in my constituency. Ipswich Housing Action Group was founded in 1976 by a group of local business men who were worried about the homeless, so they created a charity to deal with homelessness in Ipswich.

Many hon. Members may remember the horrendous serial murders in Ipswich in 2006. As a result of that, the community felt the need to deal immediately with the problems of prostitution and drug addiction in the town. That brought together not only local authorities, the police and other statutory bodies, but many social enterprises and charities locally. Prime among them was an extraordinary charity, the Iceni Project, which is a small micro-charity dealing with drug rehabilitation. It so happens that that charity is not just an extraordinary local charity; it is a very effective one. It has been delivering some of the very best drug rehabilitation programmes in the country. Indeed, it is regularly rated within the top three organisations in the country for providing drug rehabilitation. In 2008, it was awarded *The Guardian* prize for the best charity of the year for being so innovative yet so local.

In 2006, the town came together to deal with the problems that had afflicted those young ladies who were killed, and many around them consequently received the help and care that they should have received before that. Crisis and disaster forced on the community an immediate imperative to provide that. In that process, the Iceni Project gained a particular place in the hearts of many people in Ipswich, which is why the events of the past few weeks and months have been of considerable concern to many people throughout my constituency. The reason for that concern lies in the tendering of drug projects that has come about under a tender process initiated by the previous Administration. Perhaps the House will not mind me running through the basics of how that has happened, so that hon. Members understand why that is directly pertinent to the Bill.

The previous Administration spoke much about the third sector, especially towards the end of their tenure. Indeed, I believe that the Leader of Her Majesty's Opposition was the Minister with responsibility for the third sector at one stage, and I know that the right hon. Member for Salford and Eccles did much to try to extend the role of the third sector in the delivery of services. But there is a problem in the way that much of that was structured, because the idea was effectively to outsource, and to get the third sector, whether charities, voluntary organisations or social enterprises, to take on the role of the state in various contracted terms. That is not what we should be striving for. We should not be trying not to replace one bureaucracy and one contractor with another, whether a state organisation run by a private enterprise or by a charity. We should encourage and fertilise the ecosystem of communities—small micro-organisations—and not over-engage with them, but allow them to provide the services and community assets that we all depend on.

There is a key distinction, and the case study provides an example of why things can go so badly wrong. Under the tender process set up by the previous Government and the Home Office—the right hon. Lady knows more than I do about the formulation of that policy—a quango, the drug and alcohol action team, was set up in every county and local authority to award the contracts for drug rehabilitation, and it does so according to Home Office guidelines. The Suffolk DAAT, which consists of procurement officers from the primary care trust, the county council and others, decided that it would let the contract on the basis that those applying for the tender could offer a service throughout Suffolk. That immediately excluded the Iceni Project because, by design, it operates only in Ipswich.

The issue is that the tender itself was following the guidelines laid down by the Home Office, and those guidelines were to look for best value on a purely monetary basis throughout the county. A second problem is that the people who sit on the DAAT are completely unaccountable to anyone else—county councillors, district councillors, Members of Parliament, and Parliament itself. They are a mixture of PCT procurement officials and county council procurement officials, but when the tender was going through the process, it became increasingly apparent that it was impossible to challenge not the decisions on the award of the tender, but the form it had taken.

Hazel Blears: I am sorry to interrupt the hon. Gentleman, but my point is important. If he is so concerned, as I am, about large national contracts that exclude small, innovative organisations from providing services, will he have a word with his right hon. Friend the Secretary of State for Work and Pensions, who is going through a process for the single Work programme? Many social enterprises have concerns about that, because it looks as if we are going to go down the route towards massive national contracts and national organisations. That will again make it difficult for small organisations to get into that Work programme, which is a key area for personalised services and innovation.

Ben Gummer: I think that the right hon. Lady will find that the Secretary of State for Work and Pensions heartily agrees with her. In a speech that he gave a few years ago, he warned precisely against the takeover by mega-charities of certain functions of the state. He is a man who does not change his opinions or his direction with great ease, and I would find it very surprising if he were to go back on that.

The county council procurement officers, working within the management structure, effectively deal with the money and procurement advice provided to the primary care trust. I should say that the primary care trust has shown itself to be perennially oblivious to the needs, aspirations and concerns of local people. Frankly, it was concerned only with its own upkeep and ingratiating itself with senior officials in the strategic health authority, but that is by the by. Those people coming together have now awarded a contract to two large outside charities, both of which I am sure provide good services in their area, but the result is that funding for drug rehabilitation work will now be taken for three years, or possibly five if the break clause in the contract is not invoked, from the Iceni Project and from three other micro-charities in Suffolk. All those micro-charities spring from local ground and are supported by local people, yet they will disappear or experience considerable cuts as a result of this.

What does that tell local people who have invested their time, effort and passion in such organisations? The message that they hear is, " We don't care about you any

more. We're going to give a contract to an outside organisation, and all the work that you have put in no longer matters. You might as well give up and go away." The answer from the Suffolk DAAT was, "Don't worry, we'll be TUPE-ing the staff across." As it happens, however, many of the staff do not want to work for anyone else. They came on board, following the tragic events that I described a few moments ago, because they loved the organisation and admired its leadership.

What could the Bill do to ensure that that did not happen again? I particularly like its proposal to place a compulsion on local authorities and public bodies to consider localism when letting contracts. If we are going to encourage the big society, we must ensure that the organisations are there to deliver the services. If we cut off every tendering period every three or five years, the small organisations that do not have the funds to enable them to tender will simply not be there, and we shall not see the growth of social entrepreneurism necessary to challenge the big providers. We shall not see the natural efflorescence that we see in the private economy, where new entrants to the market find new ways of doing things and continually improve their product offer.

That is what I particularly like about the Bill, but I have a few issues with it as well. I wonder whether, at some point, they might be addressed, although I am not sure who would address them in the circumstances. I would be interested to know whether the Minister has any views on them. I have a particular problem with strategies, and I wonder whether they provide the freedom that my hon. Friend the Member for Warwick and Leamington is seeking to achieve.

I agree with the right hon. Member for Salford and Eccles that there needs to be integration, but my experience is that integration between services happens as a result of the willing participation of providers—as happened, funnily enough, in Ipswich in 2006. Integration is not achieved by the state coming in and saying, " You will do it like this" or "We suggest this format of working." All too often, procurement officials faced with a strategy will follow it to the letter, rather than looking at the spirit of it and what it wants to achieve. I would hope that any strategy introduced under the terms of the Bill would involve a general motivation to encourage localism and to ensure that local providers are considered in the tendering process, rather than adopting the more prescriptive strategies that we have seen recently in the equalities legislation introduced by the previous Administration.

My second issue concerns the definition of a social enterprise. Clause 2(3) states that a person or body is engaged in social enterprise if

"(a) the person or body is carrying on a business;

(b) the business's activities are being carried on primarily for a purpose that promotes or improves the social or environmental well-being of the United Kingdom, whether the purpose is pursued in relation to all or any part of the United Kingdom or all or any of the persons resident or present in it;

(c) the greater part of any profits for distribution is applied for such a purpose."

I am sure that Members on both sides of the House would agree that that definition could equally apply to private enterprises that pay dividends to shareholders. I am not sure how this nails down the intention of the Bill towards social enterprises per se, and I wonder whether we need to elaborate on it, or whether we simply need to substitute the word "charity" for the words "social enterprise" and leave it at that.

I hope that I have made it clear through my case study why public tenderers need to start looking at the local impact of their decisions, and why the Bill is an important one. I do not want to get mixed up in the general philosophical discussions that we have been having, but Burke's little platoons have to exist, and if we march over them with large brigades or regiments, they will not be there to take up the standard and advance on behalf of their communities. I hope that that is the intention behind the Bill and, notwithstanding the qualifications that I have outlined, I very much support my hon. Friend's aims.

11.16 am

Fiona Bruce (Congleton) (Con): It gives me great pleasure to support my hon. Friend the Member for Warwick and Leamington (Chris White) and his Bill. One of the main features of the debate has been the contribution of social enterprises to our local communities. We must interpret as broadly as possible the organisations that can fall within the ambit of the Bill. My hon. Friend mentioned more socially responsible businesses, and in that regard my view runs counter to that of my hon. Friend the Member for Ipswich (Ben Gummer), who suggested that we should substitute "charity" for "social enterprise". I suggest the opposite, because far more local businesses are contributing to our communities than has been recognised, certainly by the previous Administration. This is a wonderful opportunity for us to highlight the contribution that those businesses make.

As my hon. Friend the Member for Bedford (Richard Fuller) said, many people are in business not just to make a profit but to contribute to their local communities. Walking down our local high street, we would be hard pressed to find a retailer who was not contributing to the community in one way or another. For example, in my constituency, there is a traditional menswear outfitter called Davenport's. Members might wonder how Davenport's could make a social contribution, but it is Davenport's that donates props and clothing to the Daneside community theatre, which in turn makes a wonderful contribution to community life in Congleton. During the school holidays, dozens if not hundreds of young people who might otherwise be at a loose end spend their time creating theatre shows for the town. That is an excellent example of one small business contributing to the community as a whole and making a positive difference.

It would be wonderful if our town council, with its small budget, had the freedom to place high on its agenda a recognition of the contribution made by businesses such as Davenport's to our community well-being when it is awarding the relatively modest contracts that can nevertheless make a real difference to the welfare of small businesses, especially at a challenging time on the high street.

I understand the point about the concerns that the Federation of Small Businesses might have about the proposals. Speaking as someone who has run a small business for well over 20 years, I, too, was concerned

[Fiona Bruce]

when I initially looked at the Bill, because I knew that many small businesses operated on the margins—on tiny margins, as I experienced when I set up my business. I declare an interest as someone involved in running a socially responsible business. It took many years before my business made any real profit, but if I had been able to consider even small opportunities for contracts with our local authority, it might have made a difference.

Mr Sam Gyimah (East Surrey) (Con): Given that the purpose is not to subsidise for-profit enterprises that are operating at the margins, but to encourage businesses or organisations that operate as a business—they may have a turnover and may have a surplus—surely the primary objective should be contribution to the community rather than to the shareholders.

Fiona Bruce: I believe that "community" comprises many different factors, one of which is having flourishing businesses. If the awarding of public contracts can make a difference to flourishing businesses, large or small, that should count as social or public value. It is not, as many people mistakenly claim, about offering public service on the cheap; rather, it is about adding value to our communities.

Like many of my colleagues, I will have knocked on thousands of doors on a political journey. One key theme that came across to me again and again, particularly when I campaigned in a large town during a previous general election campaign, was a yearning for community life. I am fortunate that I now represent a constituency comprising mainly smaller towns where such community life still continues. Government support to businesses that, in turn, contribute to the maintenance and, indeed, the strength of community life will be valuable.

Steve Baker: Does my hon. Friend agree that all enterprise is necessarily social because it seeks to create value for other people?

Fiona Bruce: I thank my hon. Friend for that intervention, as that is exactly what I am saying. I think that we will find very few organisations that do not merit consideration under the Bill when public contracts are awarded. We should therefore think carefully before narrowing the definition of the enterprises that we want to include.

I would like to highlight some clear examples of where a social enterprise in my constituency has been less well served than it could have been under the current criteria for awarding public contracts. I mention an enterprise called Visyon. It is an excellent organisation in my community; it provides counselling and support for young people who need social or emotional help. Visyon has given me two excellent examples of where it believes it might have benefited if the Bill had been in force. First, it bid for a contract against a private tenderer, but the criteria for the tendering process included such elements as credit checks, the evidence of significant surplus of funds and high net asset value. Visyon says:

> "If criteria had... included... social outcomes and values, we may... have... scored more highly based on such criteria."

It did not succeed in winning the contract. In another case, it bid for the provision of mental health advice and support in schools in the Cheshire region. It gave evidence that it could provide such advice at one third of the cost of its competitor for the tender, the educational psychology team, but it lost that one, too.

I am sorry that the right hon. Member for Salford and Eccles (Hazel Blears) is not in her place, because I wanted to pay tribute to the work that she and her local authority did in the north-west region. Salford council in particular worked closely with organisations such as B4Box. I met Aileen McDonnell and also pay tribute to her work. It is worth noting that through her organisation, people who have been unemployed for some time go into work and are sustainably employed. That is to her credit. I look forward to seeing B4Box's work growing and flourishing across the wider region.

I would also like to highlight the work of the Message Trust. I know that the right hon. Member for Salford and Eccles spent some years supporting it, as has Salford council and the police. It is important to remember that when we talk about awarding public contracts, we are not talking only about local councils. The Salford local authority and the police have supported the work of the Message Trust over many years, and it has proved extremely beneficial. I would like to spend a few moments to describe it to hon. Members.

The Eden project, which is run by the Message Trust, organises groups of 10 young people, perhaps in their 20s or 30s, who commit for a period of five years to living in a deprived area and to giving 25 hours a week of their time—most of these people are also working—on the streets, getting alongside young people who are suffering through fractured families, drug problems, lack of self-worth, joblessness and so forth. That helps such people to understand how to engage positively within their communities, perhaps initially through voluntary groups, and subsequently helps them into training and work. It has proved enormously successful over many years.

I endeavoured to engage with another local authority regarding this scheme. I took representatives from the Eden project to meet council officials and I had several meetings and obtained support from local volunteers. I was aware that a recent local authority report had expressed the concern that its youth work was not hitting the mark. Frustratingly, however, it was impossible for that local authority to commit to an Eden project of its own, despite the fact that providing 10 youth workers on the streets cost only about £40,000 a year. That is not much more than the salary of one youth worker—plus add-on costs, overhead and supervisory costs—employed by a local council.

Although some local authorities are connecting well with organisations such as the Eden project, others are still reluctant to alter their mindset and change from an approach that allows them greater control towards one involving more trust, albeit perhaps with an element of risk. The trust might have to associate with organisations with which it has not connected previously or not worked with previously. As I say, it might not have the same degree of control. None the less, if we do not move in this way, we might miss the opportunity to change so many of our particularly deprived communities or those with real need. I believe that the Bill will provide a greatly needed catalyst for a change in the mindset of the many authorities that need to start looking outward rather than inward in deciding how they will provide, contract and procure local services.

11.30 am

Steve Baker (Wycombe) (Con): I congratulate my hon. Friend the Member for Warwick and Leamington (Chris White) on the way in which he introduced the Bill. I strongly agree with the spirit of his remarks. It is only on the margin that I find myself disagreeing either with my hon. Friends or with the right hon. Member for Salford and Eccles (Hazel Blears), who is no longer in the Chamber. Where I am ambivalent is on a few philosophical points. Although I realise that philosophy may not be as fashionable in this place as it once was, I hope that Members will forgive me if I dwell on some of the philosophical aspects for a few moments.

As I said in an intervention earlier, it is my view that all enterprise is social. I believe that society is co-operation, and that in a society based on the division of labour, we necessarily cannot have a gift economy. We cannot have a planned economy. It is necessary for unhampered market prices to fall for us to discover people's revealed preferences. We talked about values earlier. Values are so important, and so unique to the individual. They are about more than money, and yet people reveal the intrinsic, inherent values that they hold in their minds only when they disburse their own money. I do not just mean when they buy fripperies for themselves; I mean when they give to charity, and when they buy gifts for others. There is nothing dishonourable about spending one's own money in line with one's own values.

For a long time Labour Members have been appealing to reason. They have believed that if only the state had enough power, or the right power, or this, that and the other—if only it had a national or local framework—and if only enough power were exercised in society, things would be rational and reasonable and stable and static, and they would become better. I put it to the House, however, that the experience of the last 100 years has been that that has not happened.

I am rather reminded of the scene in "The Lord of the Rings" in which Boromir, I believe, turns to Frodo and begs to be given the Ring of Power because he would use it for good. I am afraid that the limits to the use of this Ring of Power—state power—are highly circumscribed. They are circumscribed, because society is a dynamic process of information discovery. It is simply not possible for the state to obtain the information that it needs in order to co-ordinate society by decree, or indeed to intervene powerfully in society to produce good outcomes. It is impossible because the information that is necessary is dispersed in the minds of millions, indeed billions, of people; it is impossible because the information is tacit, it is practical, and it could not be transmitted even if it were accessible; it is impossible because society is a dynamic process, and information is therefore discovered through the changing process of social interaction; and it is impossible because the very act of the state's intervening to fulfil the whims of politicians and officials prevents information from being discovered.

Some people listening might recognise these as arguments advanced in the past under the heading of "The Fatal Conceit". I fear that in our benevolent intent, with our good will, and given all those great things that we have heard today about building a better society, we are in danger of holding on to that fatal conceit: the conceit that the state, if only it could obtain enough information, could co-ordinate society.

The right hon. Member for Salford and Eccles pointed out that the state is often in the way of the very social entrepreneurs whom she wishes to see succeed, and that she wishes to see the system change in order to get it out of people's way and get it behind them. But I ask the House how much longer we are to continue in the fallacious belief that if only we could change the way in which the state coercively determines what people are to do with their own lives, things would become better.

The right hon. Lady mentioned charities and mutuals, and we could also discuss co-operatives and friendly societies. I would not disagree at all with her intent in respect of such organisations. I think that they are healthy, I think that they are honourable, and I think it is a great pity that the labour movement was key in stamping them out. We are bearing the cost of its follies in that regard. I have no objection whatever to mutuals or co-ops or, indeed, trade unions. What I have an objection to is the use of coercive power to organise society.

Provided that those traditionally leftist labour movements are organised to sustain themselves by making a surplus, and provided that they are not bailed out with taxpayer's money—we might well mention the banks, but perhaps that is for another day—I will support them. I will gladly support mutuality, co-operatives and, of course, charities. However, we have talked about the public ownership of capital goods. Labour Members have worried that capital goods might be—heaven forbid—privatised, but what is privatisation? Could it be that a mutual owning its own capital goods is private in some sense? Perhaps we need a new word, because to me "public" does not necessarily mean "state", and "society" does not necessarily mean "state".

I should be very happy indeed if assets—capital goods—currently owned by the state were put into the genuine ownership of mutuals. The question is not whether those assets should be put into genuine ownership outside the state; it is how ownership can be transferred in such a manner that justice is done. There is no doubt in my mind that many of those assets have been acquired by the state unjustly, but far be it from us to double the injustice by selling them in an inappropriate way, and then disbursing the capital gains by spending to live today.

In short, what concerns me is that we are lapsing into something which might best be described as communitarianism. It sounds so laudable. Oh, it does: it sounds so laudable—as did socialism, back when socialism meant Marxism. It always sounds so laudable. But the fact is, whether Labour Members like it or not—and I am afraid that the same applies even to some of my hon. Friends—in the end, when we come up with a national plan, a national social strategy, and local authority strategies for social enterprise, inevitably we must use the coercive power of the state in an attempt to direct society, a task that is impossible through the very nature of society itself.

Harriett Baldwin: It is a pity that my hon. Friend was not present when I made some comments about his earlier interventions, but let me ask him now whether he takes his philosophical position so far that he does not believe that the state should spend any taxpayers' money. That seems to be the logical end point of his philosophical

[Harriett Baldwin]

disquisition. Most of us would agree that we raise taxes coercively, and that we spend them; why should we not spend some of them on social enterprise?

Steve Baker: I am grateful to my hon. Friend for giving me the opportunity to say this. Given that I sit in this place as an elected politician, of course I believe that there is a role for democratic politics and for government. What I am expressing, however, is a deep scepticism based on solid theory, and indeed on the practice of the last 100 years, about any attempt to organise society using the state. I believe that such attempts are generally a mistake. That is not to say that the practice should be eliminated—far be it from any Member of the House of Commons to suggest that—but the fact is that it has not been a great success.

My hon. Friend is absolutely correct in saying that we are currently taxing and spending to an enormous degree, but we must make up our minds about whether that is healthy. It seems to me that the degree to which society has power is determined by the degree to which the state has power. The more power the state takes to itself, the less power society will have. I am afraid we must face up to the reality that, while the state is spending more than half of national income, human social co-operation is largely directed by the coercive power of the state.

My hon. Friend may well say that the logical conclusion is as she described, but I think that that was recognised by the old Liberals of the 19th century. Indeed, I wish that the new Liberals of the 21st century would pick up the same point. However, I do not suggest that we should go there immediately; I am referring to the direction of travel.

Ben Gummer: While I would demur a little from every point my hon. Friend has made, may I draw attention to the key issue of this Bill, which is localism? When a private business makes decisions about spending money, that is really about the allocation of capital and therefore the location of the business makes little difference. We are talking about voluntary organisations however, and they depend on people giving their time, often for free, in local areas. We cannot import a new community, so we are trying to provide the means by which public tenderers can take account of that reality, of which private businesses do not have to take account in the same way.

Steve Baker: I fully agree with my hon. Friend's point.

In conclusion, my argument is as follows. If we are to have a healthy and productive society, and if we are to build a better society, we must embrace what has been agreed by Members on both sides of the House. We have all strongly agreed on much of what has been said today, but the key question is: what is the role of the coercive power of the state in building that better society? For me, there is a fundamental disagreement about that role today, as there has always been.

I do not intend to press the Bill to a Division at this stage, although I remain hugely sceptical about both the national social enterprise strategy and local strategies. It is my view that we should follow the advice of the man who gave me my reference point as I began on this process, a man who accepted the value of both business and charity. If we are to liberate society, and liberate individuals to create a better world, we must follow his advice, which was this: "Repeat after me—lower taxes."

11.41 am

Mr Sam Gyimah (East Surrey) (Con): Specifically in the context of the current debate, I will definitely not be repeating "lower taxes" after my hon. Friend the Member for Wycombe (Steve Baker).

I did not intend to speak today, but having listened to the debate so far, I would like to offer a few words. The first point that has arisen is about our values. I remember the Prime Minister saying when he started out as the Leader of the Opposition that we Conservatives believe that there is such a thing as society, but that it is not the same thing as the state. If this Bill tries to achieve anything, it is to address the reality that there are many organisations that fulfil functions that are of social value. They do not replace the state, but their role must be recognised and promoted as we seek to transform the nature and role of the state in this country. As I think that is a worthy aim, I support the Bill.

I do not wish to follow the lead of some of the previous speeches by playing philosophical ping-pong, but we can all point to examples in our constituencies of social enterprises that are doing a great job. That needs to be recognised, and such enterprises must be promoted. In debating the Bill, we also need to think about the likely transformative effects that can be achieved by new organisations delivering services that we currently think the state ought to deliver. The Minister for Further Education, Skills and Lifelong Learning has recently walked into the Chamber. A lot is happening within higher education to enable people to understand the differences between universities so they can make informed decisions. What are the employment statistics for graduates of different universities? What are the staff contact ratios? What is the nature of the student experience? Traditionally, we would think that some state organisation should provide all of that information to prospective students. The Bill, however, would enable that data to be provided to social enterprises, so that an organisation could be created that delivers the information, without the state having to build it from scratch, which is often costly and does not always work.

An organisation called the New Philanthropy Capital has done that for the charity sector. It recognised that a lot of people did not understand on what the money they donate to charity was spent, so it built an organisation. It is a not-for-profit company that is servicing the charity sector in that way. As we consider the Bill, it is right that we champion such organisations in our constituencies that are doing a great job. There are a lot of them in my constituency of East Surrey, many of which operate under the auspices of Tandridge Voluntary Service Council. We must think about how such organisations can transform the way Government do business.

My hon. Friend the Member for Ipswich (Ben Gummer) highlighted the issue of definition, which has so far been a grey area in the debate. It is not clear under clause 1(5)(b) whether someone setting up a private enterprise that is supposed to reward its shareholders

can operate in this space and whether its function is the same as that of a business that is totally dedicated to social good. For me, a social enterprise should not be about profits; it should be purely about generating value for the community. Otherwise, we risk small businesses seeing that they can get subsidies—can get what is effectively equity capital—from the Government by servicing the Government. If we do that, we will miss the main purpose of the Bill. Its main purpose is not to provide equity capital for small businesses that want to sell some services back to the Government and then line the pockets of their shareholders. Its purpose is to get services delivered for communities.

Richard Fuller: My hon. Friend is making some very good points. However, does he accept that one consequence of the Bill is that local authorities will spend more time looking at local businesses, which will have the welcome knock-on effect of supporting local for-profit businesses? That might not be the direct intention of the Bill, but it is a very valuable secondary benefit that local small businesses will also come to benefit.

Mr Gyimah: I agree that there are local businesses that fulfil a social good, but we do not want people just to decide, "You know what, I want to set up a business, and because 20% of it is for servicing the local authority, I will be supported." I strongly believe that we must draw a distinction between for-profit businesses whose main purpose is rewarding shareholders and businesses that are delivering social goods.

Ben Gummer: My hon. Friend is drawing two distinctions. One of them is between local and national, and the other is between for-profit and not-for-profit organisations. The latter are distinct, but in terms of the distinction between local and national, surely we should be looking to allow small businesses to win tenders for all Government contracts no matter where they come from? That involves making procurement decisions much easier for small businesses. Different issues are involved in allowing voluntary groups and those giving human capital for free an opportunity to tender for contracts. That is about enshrining localism within procurement contracts.

Mr Gyimah: I certainly think we should allow charitable enterprises to tender for contracts and deliver services, rather than see this as a way for for-profit businesses to service government.

Dan Byles: I am not entirely sure that I agree with my hon. Friend that there is such a clear distinction between for-profit businesses and organisations involved in social responsibility. Many private sector companies take their corporate social responsibility very seriously, and a number of private sector for-profit companies in my constituency are heavily involved with community groups, charities and social enterprise, because they feel it is the right thing to do for their corporate image and for the wider community.

Mr Gyimah: I do not suggest for a second that no private for-profit businesses have a social objective—a lot of for-profit companies do take that responsibility seriously—but I see the Bill as a way of encouraging organisations whose main purpose is to deliver services that could be delivered by the state for the community. To take the argument to an extreme, in my view it would be unusual—

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes) *rose—*

Mr Gyimah: I will be with you in a second. *[Laughter.]* It would be unusual to see such a business grow to the extent that it gets listed on the stock exchange and rewards its shareholders. I give way to the Minister.

Mr Hayes: I am immensely grateful to my hon. Friend; I did not want to interrupt his flow.

My hon. Friend will be conscious that, just this week, we announced our national skills strategy, and in that we have protected adult and community learning. Indeed, we understand, as I hope he does, that charitable, voluntary, community groups will play a key role in helping us to reform and deliver precisely that sort of learning, which is very much in tune with what he is describing. I put that on the record, because I am here and because I wanted once again to advertise that strategy, which is available in the Vote Office for Members who want to see it.

Mr Gyimah: I thank the Minister for his patience and congratulate him on advertising a strategy that I wholeheartedly endorse.

If the Bill is to go ahead, we need to clarify the definition, because it sounds as though there is a lot of confusion. All of us want to support some business in our community that is well known and has been helping the boy scouts, for example, but we have to draw a distinction between that sort of business and one whose sole purpose is to deliver social goods.

11.51 am

Rebecca Harris (Castle Point) (Con): I thank my hon. Friend the Member for Warwick and Leamington (Chris White) for producing this excellent Bill and allowing the issues it deals with to be discussed. I am delighted to see so many Members here on a Friday to support the measure. I hope in two weeks' time to see as many Members supporting my own private Member's Bill on daylight saving, although I have to confess that there are one or two familiar Friday faces who I hope will stay at home on that occasion.

The Bill has the potential to do a lot of good for communities across the country by strengthening the social fabric. In my constituency there are many public, community and social enterprises that could benefit enormously from the measure, as my hon. Friend the Parliamentary Secretary, Cabinet Office knows, having visited Castle Point and met the local Association of Voluntary Services. Implementation of the proposals in the Bill is very necessary in these difficult economic times—it cannot happen soon enough, one might say. I do not share the concerns of my hon. Friend the Member for Christchurch (Mr Chope) that the Bill contains measures that are necessarily anti-competitive or anti-business. In fact, it is quite the reverse. As my hon. Friend the Member for Warwick and Leamington

[Rebecca Harris]

said, the Bill will not discriminate against private businesses in bidding—indeed, it will help the more socially conscious firms.

I have an excellent example in my constituency: Thames Ambulance Service. A substantial local employer, it already delivers significant contracts with the NHS, providing ambulance services and training to Government Departments on health and patient care. It is also a company with a strong social conscience: it does a lot of work in the community on road safety training for young people, particularly motorcyclists, and in schools on first aid; it also takes on young people who are finding it difficult to get into employment or training. The Bill offers the opportunity to encourage those sorts of firms, which we want to see a lot more of in these difficult times.

At the same time, the Bill will help us to ensure that we get maximum value for money in the public sector. Its provisions do not run against the grain of the search for value for money; rather, they strengthen the principle. If we take a more holistic view of commissioning and aim to promote social as well as economic good, we can help to drive down demands on our public services, squeeze every possible benefit from public spending and improve standards in our public services. That can be seen in my local firm, Thames Ambulance Service, which offers an excellent service to the public but at a lower cost than is currently offered in the NHS. I believe that in some parts of the country that is already part of the commissioning process. However, with the very great strains on public finances, we now need to spread it across all our public services as quickly as possible, so that that best practice starts to become the norm. To get more intelligent commissioning, the wider social and environmental effects and people's well-being must be at the heart of the process and integrated into the structure at a very early stage. That is why the Bill is so welcome.

I am confident that these proposals are practical and have the potential to do a great deal of good, and I am very pleased to support them. I hope that my hon. Friend the Member for Warwick and Leamington will also be in the Chamber on 3 December.

11.55 am

Jon Trickett (Hemsworth) (Lab): It is a pleasure to hear such an interesting and, at times, erudite debate. The Conservative party used to appear to be a fairly homogeneous and monolithic block, so listening to Conservative Members revealing the various trends within the party has been a fascinating and instructive experience.

I congratulate the hon. Member for Warwick and Leamington (Chris White) on introducing the Bill and allowing this debate to take place. Let me say at the outset that Labour Members want to see the further development of social enterprises, and we are happy for the Bill to receive a Second Reading and then go into Committee.

There have been, I think, nine contributions to the debate other than that of the hon. Member for Warwick and Leamington, and a range of different experiences have been brought to it. The hon. Gentleman indicated very strongly a communitarian tendency running through the history of the Conservative party. He certainly nailed his colours to the mast in terms of his own views about society and how it should be organised. However, he slightly stretched the credulity of the House when he tried to embrace Baroness Thatcher within that, since it was she who famously said that there is no such thing as society; there are individuals and their families.

Steve Baker *rose—*

Jon Trickett: I am not going to take interventions straight away, but I may in due course.

It has frequently been said that the Conservatives, historically, knew the price of everything and the value of nothing. It is therefore interesting to hear so many Conservative Members talking about judging tenders not merely on price but on what has been described in the Bill as social value, whereby one should not necessarily go for the lowest tender. That is at variance with my own experience as a leader of local government in the years when Baroness Thatcher was Prime Minister and simply wanted the lowest possible tenders. Nicholas Ridley said that local authorities should meet once a year in a tent to let contracts and then go away again.

Mr Chope *indicated assent.*

Jon Trickett: I see that at least one hon. Gentleman remembers that as well as I do, and with approval by the look of it.

Several Members made strong references to local experiences in their constituencies. That reminds us of how important it is that Members of Parliament have a constituency base. Whatever form of electoral system we use, it is important to retain the constituency link. The hon. Members for West Worcestershire (Harriett Baldwin), for Congleton (Fiona Bruce), for Castle Point (Rebecca Harris), for East Surrey (Mr Gyimah) and others referred to local experiences, as well as to experiences that they had prior to coming to the House.

There was some tension, though, between the various tendencies that were expressed, which was most striking in the hon. Member for Ipswich (Ben Gummer), who gave the impression that he was a libertarian, but he actually said—he may be horrified when he reads it in *Hansard*—that he quite liked compulsion in relation to local authorities. The power of the state compelling local authorities was an extraordinary vision for him to evince. On the other hand, the hon. Member for Wycombe (Steve Baker) gave us a disquisition on liberty, saying that every action of the state is an infringement of liberty and is coercive. That was an interesting philosophical diversion.

Ben Gummer: To clarify my point, my concern was that many procurement officials are compelled in only one direction, which is to follow a national strategy, and the purpose of the Bill is to compel them to look at a whole series of different things. As I am sure the hon. Gentleman will have experienced when buying something from, say, John Lewis, one does not just look at price but at a whole series of things, such as whether one would like it in one's flat or whether it is the right colour. All we are doing is saying, "Look at a wide range of things, not just a national strategy as laid down by Whitehall."

Jon Trickett: We on this side of the Chamber feel perfectly comfortable in our own skin in advocating precisely such an approach to the role of Government. I am not sure whether some of the hon. Gentleman's colleagues share the same comfort.

We want social enterprise to develop further, so the Bill deserves a Second Reading. As Members will see as I proceed with my speech, it will consolidate in statutory form initiatives that we introduced when we were in government. Equally, as I have just remarked, it points out the intellectual fissures at the core of the coalition's confused approach to public policy. The Government say they are in favour of a big society, but they do not always will the means. There is a contradiction between their professed communitarianism and their neo-liberal objective of cutting the costs of caring services.

There is also a contradiction between the Conservatives' approach to the market and free competition, with price as the key indicator on which tenders should be judged, and the social commitments in the Bill. Another contradiction is between their alleged commitment to localism and some Conservative Members' central ideological imperative of giving the market free rein.

Steve Baker: If the hon. Gentleman uses the word "ideological" to accuse me of having thought about how society works and what the law ought to be, of course I plead guilty.

Jon Trickett: I, too, have a very strong ideological vision, and in no way should the hon. Gentleman apologise for having an ideology. It is the contents of his ideology that give me some concern.

The contradictions and intellectual fissures that have been exemplified this morning go right to the heart of the Bill. That explains the rumour—I wonder whether the Minister could confirm it—of a fundamental disagreement over the Bill between the Secretary of State for Communities and Local Government and the Minister for the Cabinet Office.

Throughout the debate we have heard many examples of the positive impact that social enterprises can have on our neighbourhoods, communities, towns and villages. I recently visited Cream Catering in my constituency, which is doing innovative work. It is a social enterprise that employs people who have been out of the labour market for many years, and it provides high-quality catering in a variety of institutional contexts. It is an exciting enterprise, and it was created through the intervention of the then Government, who identified a procurement problem and an instrument that might deal with it. I am sure that is the kind of thing that the hon. Member for Warwick and Leamington would like to see if the Bill became law.

In fact, there are 55,000 social enterprises across the country. It is said that they add £8 billion a year to our gross domestic product, but their true value cannot be measured purely in numbers. They enable the hardest to reach and often most socially excluded people to return to economic activity. They contribute to improving the environment, both physical and social, and they enhance prosperity and deliver social justice in equal measure.

The values encompassed in the work of social enterprises are vital ingredients in the creation of a good society. If we are to succeed in the future, both as a sustainable economy and as a society with strong bonds of mutuality and reciprocity, we need to accept that markets needs morals. Labour has no problem in accepting that, and in government it led us to invest in social enterprises. We invested unprecedented resources in encouraging social enterprises, which contributed to the significant expansion of the sector and brought us to the position that we are in today. That provides a background to the Bill.

Many of the Bill's intentions will build on the progress that we made in the past 10 years, and, to be fair, the progress that was made under previous Administrations as well. Back in 2002, we launched the first Government strategy for social enterprise. In 2006, we produced a social enterprise action plan, and in 2009 we held a social enterprise summit. We also created new instruments called community interest companies, of which there are 4,000 across the country. Labour gave £125 million to the Futurebuilders fund, which the hon. Member for West Worcestershire (Harriett Baldwin) mentioned, to build third sector capacity. We also ensured that thousands of public sector procurement officers were trained in how best to engage with the third sector. We can therefore conclude that initiatives and plans—even those that are put into statutory form—are only one side of the equation.

The other side of the equation is that there must be appropriate investment. It is therefore a concern that the Government's spending cuts might put at risk the activity of social enterprises. How can it help to scrap the future jobs fund, which was partly designed to help social enterprises create up to 15,000 jobs? Mention has been made of the New Philanthropy Capital think-tank, which has said that the cuts look like removing between £3 billion and £5 billion a year from social enterprises and the third sector generally.

Clause 1 would result in a national social enterprise strategy that allowed Departments to promote engagement in social enterprise across England. That proposal is almost identical in some ways to the social enterprise action plan that Labour introduced four years ago. It is difficult to see how this national strategy, which would be created in law, differs from the action plan that we introduced without the need for a statutory framework. A case must be made to explain why a new Bill is required given that Labour was able to do things without new statutory powers. Why do the Conservatives, and the coalition more generally, find it necessary to create a new piece of legislation, which the hon. Member for East Surrey no doubt thinks is coercive.

Mr Gyimah: The hon. Gentleman is describing every pet project that Labour came up with in its 13 years in power as some sort of social enterprise, but that is not what the Bill is about. We are trying to enable non-profit organisations to deliver public services that the state would otherwise deliver. That is not the same as expanding the state, which is what the hon. Gentleman's policies would lead to.

Jon Trickett: I am sorry I gave way to the hon. Gentleman, because he clearly has not listened to much of what I have said. Without such legislation, the previous Government helped to create the environment in which 55,000 social enterprises came into existence. A case has to be made to explain why all the Government Members present are prepared to introduce new legislation, more

[Jon Trickett]

red tape and more intervention in the market, when Labour showed that we could build the so-called big society—the good society—with no such statist intervention. *[Interruption.]* I see that at least one Government Member—the hon. Member for Wycombe—feels really quite embarrassed that these proposals come from the Government Benches. It is absolutely unnecessary to bring this legislation into being.

Ben Gummer: Let me just clarify something. In the example that I gave, I had hoped to show that outsourcing to third sector organisations does not necessarily help small local organisations. Our point is that the outsourcing perpetuated by the previous Government actually started to kill local charities. The Bill promotes the human capital of small non-profit organisations that specialise in working in local areas.

Jon Trickett: Of course it does, and I take the point, but the truth is that the Conservative party—the so-called champion of liberty against the state—is now taking the state's powers through legislation to do something that is happening in any case. How does it help to have legislation when the key point is to ensure that public procurement officers in local and central Government are sensitive to the needs of local companies, whether social enterprises or not?

Mr Chope: Surely the logic of what the hon. Gentleman has just said is that he should vote against the Bill, thereby ensuring that the statute book is not littered with more unnecessary legislation.

Jon Trickett: I have said that the Bill raises interesting questions and deserves a Second Reading, enabling some of those matters to be debated further in Committee, which will perhaps further expose the differences on the coalition Benches.

What discussion of clause 2 has the hon. Member for Warwick and Leamington held with the Local Government Association about amending the requirements for local authorities' sustainable community strategies? A briefing by the Conservative-led and dominated LGA states that there is

"no need for a piece of legislation which will create a top-down imposition on councils to promote such enterprises."

There speaks the genuine voice of localism, of the Conservative party locally. Why do the Government believe that it is necessary to impose legislation on local authorities that do not want it? Local authorities are happy to proceed with such matters on their own.

The LGA continues:

"The thrust of this Bill is also fundamentally at odds with the Government's expressed desire to remove centrally-imposed burdens and top-down targets for local government."

It feels as if the world has turned slightly upside down. Labour in government proceeded happily with enabling the sector to develop without the necessity for new legislation. My right hon. Friend the Member for Salford and Eccles (Hazel Blears) has returned to the Chamber, and I more than congratulate her on her work. How can the Bill become a reality if local government, dominated by the Tories, so strongly opposes it?

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): The hon. Gentleman is making several assumptions about the Government's position that may be proved wrong. I think he has lost sight of the fact that we are discussing a private Member's Bill.

Jon Trickett: Will the Parliamentary Secretary deny that the Cabinet Office helped to draft the Bill? He will not. I understand that that is precisely what happened. I understand that the Bill showed its face in the House only 36 hours ago. Why? I was told that it was delayed until the last possible minute because the Cabinet Office was drafting it. Perhaps the Parliamentary Secretary will confirm that. If it is a private Member's Bill, why was the Cabinet Office drafting it?

There have been tensions locally with not only local authorities but others about plans for how some social enterprises run services. Members on both sides have made the point that we want high-quality, properly resourced social enterprises, not those that are the victims of a cuts mentality. Labour Members do not want the option of social enterprise driven through on the back of a cut in the quality of service or a reduction in the quality of conditions at work for the people who are employed in the enterprise.

We have no objections to the Bill's aims, but we are concerned about the manner of its introduction. More consultation before it came before the House would have been better—I have already said that it arrived here only 36 hours ago. We are all proud of the social enterprises in our constituencies throughout the nation. How can it be that they have had no opportunity to examine the Bill before Second Reading? How can it be that the small business and local government sectors are expressing different views about it? Perhaps it is because it was introduced so late. Does the hon. Member for Warwick and Leamington genuinely believe that he provided sufficient time for the House to consult?

We have also heard a lot about how the Bill fits into the Government's idea of a big society, but until we know what the big society is, how can we assess the applicability of the measures? I am not the only one who does not fully understand what the big society is; many in the voluntary sector do not know what it is either. Famously, the Under-Secretary of State for Education, the hon. Member for East Worthing and Shoreham (Tim Loughton), also has no idea what the big society is. He said recently:

"The trouble is that most people don't know what the Big Society really means".

In what sounded slightly like a whinge, he added:

"least of all the unfortunate ministers who have to articulate it."

Ben Gummer: I thank the hon. Gentleman for his indulgence. On the question of definitions, the Leader of Her Majesty's Opposition has spoken of the "good society", so will the hon. Gentleman explain what the good society is and the difference between it and the big society?

Jon Trickett: It is for the Minister and the Government to go first and describe their conception of the big society. We want a strong society—[Hon. Members: "Ah!"] We want strong bonds of mutuality and reciprocity to operate at every level of society, in every neighbourhood. The Bill might contribute to the development of that,

but that does not mean that we should not ask difficult questions of its promoter and sponsors. That is precisely what I am doing.

How does the hon. Member for Warwick and Leamington reconcile clause 3 with the Government's motives? When the Minister for the Cabinet Office and Paymaster General was asked on the "Today" programme earlier in the week about his intentions in respect of mutuals, co-operatives and public service reform, he made it clear that companies tendering for outsourced services would have to make proposals that were

"significantly cheaper than the current provision".

There we have it: the irreconcilable contradiction between communitarian aspirations and the neo-liberal drive to reduce the cost and extent of government. There lies the Government's true motives.

Perhaps the Government will not support the Bill, but even if they do, they are more interested in lower cost services than in maximising social value. Having listened to his speech, I do not believe that the hon. Member for Warwick and Leamington wants that. Social enterprises should not be viewed as a cheaper option. They have a real contribution to make and can have a positive impact, as we have heard from Members on both sides of the House, but they should not be about enabling the Government suddenly to abdicate their responsibility to fund public services properly.

Social enterprises should—hopefully—ensure higher levels of democratic accountability.

Steve Baker: Will the hon. Gentleman give way?

Jon Trickett: I am about to wind up, although some might say that I have wound the hon. Gentleman up enough.

Central and local government and social entrepreneurs must work together to unleash the potential of social enterprises and the capacity of all of us to do good in our communities. Perhaps the House can agree on that. That should not be forgotten in the coalition's eagerness to cut spending and sell off large swathes of the public services. The Opposition support the aims of the Bill and believe that it should receive a Second Reading. None the less, as I have indicated, if and when the Bill reaches Committee, we will probe the details and the broad principles underlying the proposals.

12.19 pm

The Parliamentary Secretary, Cabinet Office (Mr Nick Hurd): The House has rightly expressed its admiration for my hon. Friend the Member for Warwick and Leamington (Chris White). I have a great deal of empathy with him, as I remember my shock at seeing my name at the top of the private Members' ballot a few months after my arrival in this place. I have been on his journey, and I wish him every success on it.

Once the right hon. Member for Salford and Eccles (Hazel Blears) had recovered from the shock of being described as dreary—

Steve Baker: On that point—

Mr Hurd: It is a little early in my speech to give way.

Once the right hon. Lady had recovered sufficiently, she expressed her admiration for the quiet determination shown by my hon. Friend the Member for Warwick and Leamington. She knows a great deal about determination, quiet or otherwise, and she was entirely right in what she said. I wish to add my sincere congratulations to him, not just on his good fortune at the ballot box but on his subsequent tenacity in building a coalition and the way in which he presented his case today. It is a considerable demonstration of his commitment to improving public services and trying to get a better deal for taxpayers.

I also wish to confirm from the start that the Government are happy for the Bill to go into Committee, if that is the will of the House. We will seek to amend it, in ways that I will explain, but we support the core proposition of the Bill that we should place a firmer requirement on commissioners—those who do the very difficult job of shaping and purchasing public services on our behalf—to consider the potential to maximise the social, environmental and economic impact of every pound they spend on behalf of the taxpayer. In doing so, the Bill builds on the principle of the best value duty, as my hon. Friend the Member for Castle Point (Rebecca Harris) said.

The Bill is also consistent with what the Government are trying to achieve with the big society agenda. I genuinely hope that that issue becomes less partisan over time, not least because—as my hon. Friend the Member for Warwick and Leamington and the right hon. Lady, the former Secretary of State, said—the message builds on the aspirations of, and actions taken by, former Governments. Given the problems and challenges that we face as a country, it must be right to challenge all of us to think about our obligations and personal responsibilities beyond just paying taxes and obeying the law. It must be right to work together to try to find better ways to do things and, in that process, to try to tap into the skills, talents, ideas, experience and entrepreneurial energy that exists in our communities, but which too often feels shut out from the system. It must be right to encourage and support people to come together to try to solve problems and improve life for themselves and their communities.

I am lucky in the job that I do—and the hon. Member for Hemsworth (Jon Trickett) will find this, too, as he now shadows me—to visit every week communities and community organisations in which people are coming together to try to make a contribution and to do some good to improve life in their area. It is genuinely inspiring and gives me great confidence that we have a firm foundation on which to build this bigger and stronger society, if we can do more to encourage and support it.

Nadhim Zahawi: My hon. Friend makes precisely the point about which the shadow Minister was confused. The procurement officers will not be compelled to do something from the top down, but will have the same choices before them as they have always had. Rather, they will be asked to look imaginatively at those choices. We are talking about benevolent libertarianism and a nudge forward—not what the shadow Minister was confused about.

Mr Hurd: I do not think that the Opposition were confused in any way: I think that they knew exactly what they were trying to do. However, my hon. Friend is right. This is not a heavy-handed approach: it is a requirement to consider, where relevant and proportionate. My hon. Friend the Member for Congleton (Fiona Bruce)

[Mr Hurd]

suggested that it was a catalyst—a good word—to try to open more minds to a better and more intelligent way to commission, which considers the opportunity to achieve multiple outcomes through the transaction.

The big society agenda is not a Government programme, but the Government have an enormously important role to play. The Prime Minister has been clear about the three strands of action that people can expect from the Government, one of which—a very important one—is public service reform. Early in the new year we will publish a White Paper on public service reform that will make it clear what we are trying to achieve and how we intend to achieve it. Our desire is that public services will be built on stronger relationships with the communities and citizens they serve, and that they will be, in the words of my hon. Friend the Member for Warwick and Leamington, more local, more personalised and more responsive. We want to devolve power to people on the front line who know how things can be done better, including extending the right to provide that was initiated by the previous Administration. We want to try to encourage and unlock that energy that sits inside the public services, which we feel has been constrained and stifled by a regime of overly oppressive targets and bureaucracy.

Hazel Blears: I have expressed to several hon. Members my concern about the process of transferring assets, possibly to social enterprises, which then swiftly progress to private, commercial organisations. Does the Minister agree that where public sector assets, purchased by the taxpayer, are to be transferred to other organisations there must be an asset lock to ensure the proper stewardship of the assets and democratic governance within the legal framework of those organisations?

Mr Hurd: I hear the right hon. Lady's concern. She makes a valid point, and she used a very important word—"stewardship". I totally agree that there is a duty of good stewardship. That contains two elements: a requirement to make sure that public assets are used most productively for the public, and a requirement to make sure that they are not misused in any way. In some ways that is a contracting issue. The right hon. Lady will know that social enterprises take many different organisational forms, and that there is a bespoke legal form for social enterprise called the community interest company, which specifically provides for an asset lock. However, that falls outside the immediate scope of the Bill.

I was talking about why we think the Bill is consistent with our ambitions and aspirations for public service reform. One of our aims is to encourage greater diversity of supply and provision. Here there may be some theological differences between us and the Opposition. We have a strong desire to try to incentivise and encourage much greater flexibility at a local level, such as providing opportunities to pool budgets and integrate services. She may be aware of some pilots that we are encouraging through the Cabinet Office on local integrated services, where the onus is much more on getting out there to find out what the community wants. All those aspirations will be backed up by action that will be reflected in the White Paper.

In the context of encouraging greater diversity of supply, on which the Bill touches, we have an explicit commitment in the programme for Government and the coalition agreement to support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable those groups to have a much greater involvement in running public services.

Mr Chope: Clause 1 calls on the Secretary of State to prepare a national social enterprise strategy. We do not need to legislate for that if, as my hon. Friend is saying, the Government are already going to do it of their own free will. Are they going to do it and, if so, when?

Mr Hurd: I will come to clause 1, and I think that my remarks will give my hon. Friend some reassurance.

We are determined to try to open up the public services markets to a broader diversity of suppliers, and we have been specific about wanting to encourage social enterprises, charities and the voluntary sector to have a bigger role. Why? Most constituency MPs have a sense of the reason. Faced with some of the really stubborn and expensive social problems that this country faces—expensive in terms not only of money but of human cost—there is overwhelming evidence in certain cases, such as the hard job of getting people back into work or keeping people out of jail, that a social enterprise or community-based solution is often most effective in doing the really difficult work. We have to respond practically to the challenge—the right hon. Member for Salford and Eccles, as a former Secretary of State for Communities and Local Government, knows that it is a challenge—of opening up those public services markets to try to create more space for these organisations to participate and add value. It is not about trying to do things on the cheap, but about trying to deliver better solutions and to "do more with less", to use the cliché of the moment. That requires a radical reform of commissioning and how the state buys, because, as the right hon. Member for Salford and Eccles said, there is a strong feeling out there, represented by the Social Enterprise Coalition and others, that the system is obstructive and gets in the way.

That is why I and the Office for Civil Society are determined to get this right and are on the point of issuing a consultation document setting out what we need to change in state commissioning to fulfil the coalition Government commitment to create more space for social enterprises, charities, co-operatives and mutuals. The consultation document will ask the following main questions: in which public service areas could the Government create new opportunities for civil society organisations to deliver, and why? How can the Government make existing public service markets more accessible? How can commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions? How can civil society organisations support greater citizen and community involvement in all stages of commissioning? And how we can reduce the amount of bureaucracy, form-filling and regulation that gets in the way of and infuriates and frustrates civil society organisations? The whole business of applying for and reporting public money is a bureaucratic nightmare for too many organisations and is often totally disproportionate to the sums of money involved. We are determined to do something about it.

In that context, the Bill's core proposition—a requirement to consider social and environmental value where it is relevant and proportionate—is a useful complement to our own work of reform and commitment to making it easier for voluntary and community organisations and social enterprises to deliver public services. The Bill has the scope to ensure that commissioners consider the full effect of services on the people whom they serve and enable them to maximise the social, environmental and economic value of every penny they spend.

The Bill reinforces our commitment to value for money. In these tight economic times, it is particularly important that we achieve maximum value in our spend, but our observation is that currently some commissioners miss the opportunity to secure the best price and meet the wider social, economic and environmental needs of the community. Under procurement law, a contract must be awarded on the basis of the tender that is most economically advantaged or offers the lowest price. The Bill does not undermine or circumvent this requirement or otherwise undermine the Government's value-for-money agenda and efficiency reform. On the contrary, it is anticipated that by taking full economic, social and environmental value into account, the quality and efficiency of public contracts can be improved.

I think that most hon. Members will see the potential for that just from their observations and visits. In my constituency, Hillingdon borough contracts a good proportion of public landscaping work with a company called Blue Sky. It is the only company in the country where someone has to have a criminal record to work. It does a brilliant job in offering employment opportunities to people coming out of jail—a critical milestone in proving to a future employer that they can be trusted. The people of Hillingdon are delighted with the service and the council are very satisfied with the price, and through this process we are making a huge impact on helping people to turn their lives around. I have spoken to some of the people working there. Some of them travel the length of the Central line every day to be on the course, because they see it as their way out.

That is intelligent commissioning at its best, and we want to encourage more of it. I remember visiting a social firm called Clarity that makes soap and liquids for cleaning hands. What differentiates this business is that, as I walked around the floor, I noticed that every single employee was disabled in some way—often in major ways. Again, this is an opportunity for them to build their own sense of worth and confidence, and to carve a different path that otherwise would have been shut to them. That is another opportunity for intelligent commissioning.

There are lots of other examples. In 2006, the London borough of Camden renewed its schools catering contract. At that point, there had been significant dissatisfaction with the quality and performance under the contract. There was a best-value service review prior to retendering, involving extensive consultation with parents, teachers, pupils and local social enterprise and voluntary and community stakeholders. The remit included consideration of wider social environmental and economic factors, and the new contract was shaped around the results of the review. As a result, the uptake of meals by children in primary and special schools rose by 10%, and teachers reported indirect benefits from the new contract. It has improved service and food quality without an increase in contractors' margins. Again, that is intelligent commissioning.

Hazel Blears: The Minister will have heard me refer to the innovative construction company, B4Box, which has worked on a legal framework for JCT Contracts. Would the Minster be willing to meet me and Aileen McDonald of B4Box to discuss how that legal framework might be used as a basis for wider scaling up of such innovative construction projects?

Mr Hurd: I would be delighted to arrange that meeting. Aileen McDonald sounds wonderfully inspiring, and if she can help us to open doors to more intelligent commissioning, we should be all ears.

Ben Gummer: The Minister has provided some good examples of what he called intelligent commissioning, and I provided an example of a bad commissioning decision. Would he characterise that as unintelligent commissioning? If so, is that not precisely what the Bill is trying to correct?

Mr Hurd: My hon. Friend was good enough to introduce diverse representation from Ipswich, and the anger about the decision was palpable. It might be risky to comment from afar without knowing the details, but what struck me about the commissioning decision was that if 65% of the demand for the contract was based in Ipswich, it seems odd that there was no consultation. The process effectively removed an organisation that was clearly successful in delivering what the contract intended to deliver and had a massive social impact and value in that community. The decision seemed to be taken a long way away from the people who needed the help, and that is a problem.

The spirit of the Bill builds on the Government's commitment to economic growth and the promotion of entrepreneurship. It is appropriate that it should come to the House in global entrepreneurship week, and the day after social enterprise day, which many hon. Members celebrated. We should not forget that social enterprises are, first and foremost, businesses that contribute £24 billion—that seems to be the official figure—to the UK economy and employ more than 800,000 people. As the hon. Member for Hemsworth powerfully said, they make an enormous contribution by creating and stimulating markets, bringing wealth into struggling communities, creating jobs, supporting disadvantaged people into employment, pioneering innovative products in ethical markets, and attracting new people into business, particularly the young, women and people from minority ethnic communities.

I was struck by a recent comment from Steve Jobs, who leads Apple, a brand that is always associated with innovation. He said that innovation is the difference between leaders and followers. The country desperately needs leadership and people who are capable of pointing to better ways of doing things, and it is in the social entrepreneur community that there are genuine leaders.

I was in Sheffield last week visiting a social enterprise, Zest, which has incredible leadership. It demonstrates how youth services can be run in such a way that young people turn up. It shows how libraries can be run in a way that involves the community, and how to engage

[Mr Hurd]

with the public on public health issues. I sat at a table with people from the local PCT and the local council, hoping that they were learning and reflecting on how much money might have been wasted over the years. Organisations such as Zest are showing the way forward and opening minds to doing things better.

The point was well made, not least by my hon. Friend the Member for Congleton and, I think, the right hon. Member for Salford and Eccles, that this is not just about social enterprise. Social value is not just about an organisational form called social enterprise, however broad that form might be. I hope that the Bill will also be a catalyst to encourage traditional businesses to speak up more about what they are doing in the community. We all know from our constituencies that many businesses, often family owned businesses with a strong sense of community, do a huge amount, but there is now a challenge, in the context of the big society, to everyone in traditional businesses to think harder about their social responsibility and their commitment to the community. The Government will be saying more about that shortly.

I have set out why we support many of the principles and objectives of the Bill, but we are legislators and we have a duty to ensure that the legislation that passes through the House is robust, is needed and adds value. I suspect that that is one of the themes that we can anticipate hearing from the most distinguished Friday face in the Chamber, my hon. Friend the Member for Christchurch (Mr Chope).

I want to get into the detail of the Bill. The primary measure that the Government support is clause 3, which deals with contracts of contracting authorities. As my hon. Friend the Member for Warwick and Leamington has already outlined, clause 3 requires contracting authorities to consider how they might promote or improve economic, social or environmental well-being through a contract. In policy terms, we often refer to this well-being as "value", because commissioners who already voluntarily follow this approach tend to attribute a quantifiable worth to it and consider it as part of their wider evaluation of bids to deliver public services. The title of the Bill reflects this commonly used terminology.

The Government are supporting this measure for two main reasons. First, and most importantly, the Bill sends an unequivocal message to those spending public money that it is vital that they maximise the value achieved by every penny. This is particularly important in the current public spending context. We acknowledge that many of the best commissioners already recognise the importance of this and are exemplars to the public sector. Yesterday, I was privileged to sit in on the first meeting between the London Probation Trust and two social enterprises. The conversation covered how the trust could work differently to commission social enterprises to set up community enterprises such as cafés, garden centres and small garages to employ offenders in the community. This is an example of a commissioner thinking outside the traditional box, and that is the kind of progressive commissioning that we want to encourage.

Steve Baker: Will the Minister join me in celebrating the brilliance of some of our public sector employees, and confirm that we are reforming not because we are challenging the individuals but because we are challenging the system? In some places, it is the system that we have inherited; in others, it is the system that has been established over a much longer period. Will my hon. Friend join me in celebrating the talents of our public sector employees?

Mr Hurd: I certainly will, and it is important to do so. This is largely about freeing people who work in the public sector to express themselves more and to explore their own ideas of how things can be done better. I remember vividly a visit to Merton, where one person working in the mental health field had recognised that the system was failing some people with multiple chaotic problems in their lives. He had shown leadership and pulled people round a table and said, "What we are delivering isn't good enough." Together, they produced a new system of support, and the people receiving that support came into the room to talk to me about it. Two of them burst into tears of gratitude. It is very rare for the public to weep with gratitude for the public services that they receive, and this was a direct consequence of one person's ability to think differently. We want to encourage more of that, but it requires action to create the space and to send the message that, yes, it is okay to think differently and show innovation inside the public services. We need to unlock the potential to do things better.

Mr Chope: Before my hon. Friend moves from clause 3, will he explain why it is mandatory on local authorities? I thought that the Government believed in localism and would trust local authorities to make these judgments themselves without Government interference.

Mr Hurd: It is a requirement to consider, where "relevant" and "proportionate", and it does not compromise local authority autonomy in responding to the requirement. It is simply a requirement to consider. I do not see it as heavy-handed; it is simply designed to be a catalyst to encourage more people to think more intelligently about commissioning.

The need to support commissioners in this process was raised earlier. It is not just about sending a stronger signal on the requirement to consider, as there are also issues about how to measure social value and how to support commissioners. That is why the Cabinet Office has supported the measuring social value project to try to create a methodology and tools to make measures that are realistically capable of implementation. There is a clear need to advance and bring together some more standard and consistent methodologies in this area.

Furthermore, through the national programme for commissioning, we have trained well in excess of 2,000 commissioners across England and across a range of public service areas. All the commissioners have had the opportunity to receive specialist training in measuring wider social, environmental and economic value. I am delighted to say, following the comprehensive spending review, that we are going to continue this training beyond March 2011. I sat in on a session in Birmingham and it struck me that there are many commissioners out there who would like the chance to do things differently and to do more with the voluntary community sector and with social enterprises, but need some help—busting a few myths and getting some practical support. The process

of engagement through the partnership improvement programme for commissioning is, I think, valuable. I am delighted that we can continue with it.

We feel that these policy interventions are important in supporting the objectives stated in our coalition programme, but we also feel that they will be insufficient without some legislative intervention to achieve the goals. That is why we support clause 3. Returning to the point made by my hon. Friend the Member for Christchurch, we believe that these provisions are consistent with the Government's wider localism agenda in three main ways.

First, the Bill will support the Government's commitment to community empowerment as a fundamental element of localism. The Bill includes a requirement on commissioners to consider whether to consult the intended beneficiaries of the service in considering how to take account of wider social, environmental and economic value. Although that does not require commissioners to engage with their communities, it sends out a strong message about the importance placed by the Government on involving local citizens and communities in shaping the services they receive. This will inevitably improve community involvement in commissioning and help to ensure that it responds to the full range of communities' priorities.

Secondly, while empowering communities, the Bill also respects the need to ensure the autonomy and flexibility of commissioners in responding to local needs. Commissioners retain the discretion to determine how social, environmental and economic value is taken into account. The Bill does not stipulate the methodology that should be adopted by commissioners, and it is right not to do so. Local autonomy is maintained.

Thirdly, the Bill does not impose an additional burden on contracting authorities. The specification that contracting authorities are required to take wider value into account only where it is relevant and proportionate means that authorities can use their common sense and avoid excessive costs or bureaucracy. It also allows them to use and draw on existing infrastructure and opportunities to consult their beneficiaries and make sensible decisions in the interests of the people they serve. For example, it is highly likely to be "relevant" and "proportionate" to consider the wider social impact of a service and to consult citizens when contracting for a citizen-facing service such as social care as opposed to a contract by councils for use by an authority's employees. The Bill therefore requires a common-sense approach, with the authorities having appropriate discretion.

I have explained where we support the Bill and I would now like to spend a few minutes explaining what conditions we attach to our support. Although we support all the objectives, a number of conditions are attached. If the Bill goes into Committee, with the will of the House, we intend to table amendments. These will include the removal of clauses 1 and 2, which refer to a "national social enterprise strategy" and "local authority strategies".

I am not theological about strategies. Having been in business for 18 years before entering Government, I think that on the whole it is probably a good thing to have a strategy. However, I believe that, particularly in this context, strategies should be governed by the need of the moment, and should be driven by conviction rather than by a requirement to comply with some bureaucratic process. I do not want the process of drawing up strategies to be bureaucratic. I do not want it to be simply an exercise in producing more glossy brochures that fill up the bookshelves in our offices, which are not read and which do not have real traction. Strategies must be driven by need and by conviction at the time.

Steve Baker: I congratulate the Minister on his wisdom in attaching this condition to the Bill—I find it hugely reassuring—but will he say a little about clause 2(3), which deals with the definition of social enterprises? I should be grateful for the Government's definition of a social enterprise.

Mr Hurd: I am rarely accused of wisdom, so this is a pleasant moment that I shall relish.

The definitions of social enterprise in the Bill are in the context of requiring a social enterprise strategy, which we do not consider necessary, but there is a legitimate point to be made about defining social enterprise, because, as I mentioned earlier, there is a broad spectrum of social enterprise activity. At one end of the spectrum are businesses that are acting in a socially responsible way or making big social contributions to their communities, while at the other end is pure social enterprise.

The definition developed by the sector is as follows:

"A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

That is a reasonable start, but there is a spectrum of activity, including charities which are tendering for contracts and trying to generate new revenue streams through that process, and which consider themselves to be hybrids in that sense. So there is no straightforward answer to my hon. Friend's question.

As I was saying, the Government are uncomfortable about legislating for strategies at both a national and a local level. Several Members—including the hon. Member for Hemsworth, the Opposition spokesman—have agreed that that goes against the grain of localism. We therefore do not agree with legislating for local social enterprise strategies, however desirable they might be as components of existing sustainable community strategies.

None of that should be taken as reflecting any lack of Government support for social enterprise, or even a lack of desire to communicate a strategy. The Office for Civil Society is working with the Department for Business, Innovation and Skills and others across Government to produce a refreshed national strategy for social enterprise, which we will publish in March 2011.

The former Secretary of State for Communities and Local Government, the right hon. Member for Salford and Eccles, knows both the value and the difficulty of working across Government, but I think it extremely important that we do so in this context. My colleagues from DBIS have embraced the opportunity, and we look forward to producing the refreshed strategy in March. In particular, we will step up engagement with the social enterprise sector so that we better understand the needs of enterprises and the opportunities that could be unlocked. We want to consider how to maximise our support for social enterprises.

Fiona Bruce: May I invite the Minister to meet representatives of the Eden project and the Message Trust? I believe that they have much to offer local communities: indeed, they aspire to engage with up to 60 local communities across the nation.

Mr Hurd: I should be happy to do that. I have written to all Members of Parliament offering them the opportunity to bring in representatives of voluntary community sector organisations in their constituencies. I understand that there is tremendous enthusiasm out there, and that organisations are anxious to understand the big society agenda better and what it could mean for them. The invitation is open to all Members on both sides of the House.

We consider social enterprises to be valuable in terms of making a social impact and our determination to promote enterprise and private-sector growth. We are making it easier to run a social enterprise by establishing a taskforce to reduce bureaucracy and red tape for social enterprises; reducing the small-profits rate of corporation tax to 20% from April 2011; offering a one-year temporary increase in the level of small business rate relief from October 2011; and taking a different approach to regulation by introducing the one-in, one-out rule, whereby we will not introduce any new regulation without abolishing existing regulations with a net cost to business.

Secondly, we are ensuring the resilience of the social enterprise sector by developing a big society bank to help grow the new market of social investment that is seeking to blend financial return with social impact. It is a real market, but also an embryonic one and we want to accelerate its growth. We think the big society bank can be a catalyst for that, such as by making it easier for social enterprises to access the capital they need. That will come on stream in quarter two or quarter three of next year.

As has been said, we have—at a time when there is very little money around—set up a £100 million transition fund to support voluntary community organisations and social enterprises delivering front-line services that stand to be affected in the short term by reductions in spending. We have also included social enterprises in the offer to access a £1.4 billion regional growth fund to invest in projects and programmes with significant potential for growth and employment.

Finally, we are making it easier to do business with the state by opening up markets for social enterprises, as I have discussed. There will be a fundamental reform of public services with an explicit commitment to try to create more space for social enterprises, charities and voluntary organisations to help us deliver better public services.

With the two conditions of our resistance to legislating for strategies both at national and local authority level, we support the Bill's objectives. We think it is consistent with the big society agenda and our public service reform aims, and with our intention to make it easier for charities, voluntary sector organisations and social enterprises to deliver public services. We think it will help us maximise value for the taxpayer and improve the process of consultation with communities in the shaping of public services. It will support social enterprise, which in itself is a worthy aim. It simply proposes a duty to consider, where relevant and proportionate. It does not compromise autonomy or add additional burdens. It is about trying to turn best practice into standard practice and to deliver the best possible value to taxpayers, and it is on that basis that we are prepared to support the Bill.

12.57 pm

Mr Christopher Chope (Christchurch) (Con): I am very grateful to the Minister for the compliments he paid me earlier—I took them as compliments anyway. I congratulate him on having looked at this Bill in some detail, and on having reached not dissimilar conclusions to those that a number of my hon. Friends had already reached, and which were articulated earlier in the debate. There is no need for me to go over those concerns again as I presume that my hon. Friend the Member for Warwick and Leamington (Chris White)—whom I congratulate on having introduced the Bill—will be happy to accept the conditions laid down by the Minister. If my hon. Friend does not accept them, his Bill is obviously unlikely to make much more progress.

If my hon. Friend does accept the conditions, we will have a Bill that is far removed from the long title it had when it was first presented to the House on 30 June this year. It will effectively be a Bill about procurement for local authorities and public bodies. That covers a specific area, and what pleases me is that clause 3(2) states:

> "The authority must consider how it might promote or improve the economic, social or environmental well-being of the relevant area by means of such a contract."

That is different from the definition of a social enterprise in clauses 1 and 2, which confine it to being one

> "that promotes or improves the social or environmental well-being".

Economic well-being is vital to our communities up and down the land, and that is why I am pleased by the distinction drawn by clauses 1 and 2 on the one hand and clause 3 on the other. I understand why my hon. Friend the Minister is more enthusiastic about clause 3, because of the insertion of that element.

Earlier, I mentioned the exchanges that I have had with the Federation of Small Businesses, which I am sure will be equally pleased by the development, which will be surprising to some, in my hon. Friend's announcement. The FSB is keen to point out that there are 4.6 million micro-businesses in this country, but only 16% of the value of public sector contracts currently goes to small and micro-businesses. The federation was worried that such businesses would be squeezed out by social enterprises.

Mr Hurd: Perhaps my hon. Friend will be reassured if I draw to his attention the Cabinet Office announcement in November of a series of measures designed to make it easier for small firms and organisations to do business with Government. They include measures to progress the Government's aspiration to award 25% of Government contracts to small and medium-sized enterprises.

Mr Chope: I am sure that that will be greeted with great enthusiasm by small businesses throughout the country. To achieve that, we do not need legislation; all that is required is positive will on the part of the Government. There are many examples across the public sector of small-scale enterprises being squeezed out by larger organisations in the procurement process.

Richard Fuller: One of the objectives we hope to achieve through the Bill will result from its focus on local social enterprises. By its very nature, that will weaken the default position whereby contracts go to large, national organisations, with their inbuilt advantages in procurement. Does my hon. Friend agree with that point?

Mr Chope: I do. One of the amendments to clause 2 that I would have suggested is that social enterprises should be defined as small businesses with those objectives, because of the danger of ending up with some very large social enterprises that are, in many respects, not dissimilar from large public limited companies.

Ben Gummer: Often, the problem for procurement officials is that the lowest-risk option for them is to choose a large, established organisation, because that protects their position. One can understand why they would do that. The Bill would empower procurement officials to consider the whole range of possibilities and to take a slightly more risky approach sometimes, which would be to the benefit of local communities.

Mr Chope: My hon. Friend makes a good point. He is right to emphasise the riskier approach, because sometimes there is a risk. For example, in my constituency, the local council decided to let the contract for the running of the local leisure centre to a charitable trust based in Poole. It became apparent that the trust was not delivering on what was set out in the contract, and after several years the contract had to be taken back in-house. Subsequently, a couple of other projects that the trust was running were found to be financially unsustainable, and that was the end of that, I think. We must not get into a frame of mind in which we think that anything that calls itself a social enterprise is, by definition, a good thing. Such bodies have to be run along business lines.

To take another example, people in Verwood—a town that is no longer in my constituency, sadly, but was until the time of the last general election—have set up a community enterprise called the Verwood Hub, which is a community centre. Unfortunately, it is becoming clear that they have not been applying business principles to the running of that centre, so they are having to go back to the local authority and say, "Please give us some more money." The local authority is making it clear that it can go only so far in doing that, because there is a limit to how much it can be expected to use local taxpayers' money to make up for the deficiencies in the business plan of what might otherwise be described as a laudable community enterprise.

Fiona Bruce: We must not let the example of one or two less successful projects restrict the opportunity for the public sector to enter into entrepreneurial projects with local groups. The spirit of enterprise does, of necessity, involve risk. We have seen that spirit in this nation over many decades, if not centuries, and it is the seed of the fruit of phenomenally successful community and commercial organisations. We can look back in the history of this nation at some tremendous businesses that have done social good, so it would be dangerous for us almost to sanitise public procurement, as we have done to a large extent,. It can never be risk-free. Without an element of risk, we will reduce the opportunity for those great potential benefits that have flourished in this nation in years gone by.

Mr Chope: I am grateful to my hon. Friend, who made a powerful speech on the same theme.

People going into public procurement often say, "We've got to do it for the long term, with a five-year, a seven-year, or an even longer contract period." If a relatively small and untested organisation is bidding, it will be a very big risk for it to sign up to a seven-year contract. Procuring on the basis of a one-year contract gives new organisations on the block much more of an opportunity to show their worth, and if they make a Horlicks of it after a year, they will not expect to be invited to re-tender. Some long contracts have been particularly damaging to the interests of small and social enterprises. Minimising risk for the procurer has made it much more difficult for new entrants to take on such contracts.

I hope that the FSB will be encouraged by the attitude of the Government. We are all proud when we have businesses in our local communities that flourish, no more so than those which start up with only half a dozen people, or even one or two, and then become national enterprises, perhaps ultimately getting a listing on the stock exchange.

I was worried that my hon. Friend the Member for Warwick and Leamington suggested that businesses that are in it for profit are at odds with those that are in it to produce good for society. In my constituency, some of the businesses that have been the most successful in the marketplace have made profits that they have been able to use to help to support local activities in the community. For example, one of the most successful companies in this country, Tesco, puts a lot of money back into the community every year by enabling people to get vouchers that are then used to buy IT equipment, and other equipment, for schools. Every year for the past 10 years, I have had the privilege of presenting some of that equipment to the schools in my constituency because parents, teachers and supporters of those schools have been able to get those vouchers and then convert them into important and useful goods.

Richard Fuller: My hon. Friend makes an excellent point, and I have shared his experience of Tesco at one of the two branches in my constituency. He mentioned profit, which is often put in the same vein as people being rich. Actually, profit is what people reinvest in their business so that they can provide better services in their community. For social enterprises and charities, the ability to earn a surplus is important. Often, they find that they do not have enough of an earnings margin from local contracts to be able to reinvest in local projects, so that they can continue to provide services for five or seven years. Does he recognise that we need to go beyond the crass definitions of profit being bad and social enterprise good, and instead concentrate on the services that local businesses and social enterprises provide?

Mr Chope: Absolutely, and that is very much the theme behind the submission from the Federation of Small Businesses on the Bill, which a number of hon. Members will have received. It makes the point:

> "The Bill describes social enterprises as businesses 'carried on primarily for a purpose that promotes or improves social or environmental well-being'. While such organisations are undeniably valuable, micro businesses also serve such a function. What sets them apart from social enterprises however is that their primary purpose will be to make a profit and remain in business."

[Mr Chope]

That is the important part—remaining in business. They cannot do that unless they make a profit, as they are often unable to raise capital. That was the problem with the charitable trust that I mentioned earlier. It was not able to reinvest in the leisure centre, which as a result became rather dowdy and did not meet the needs of the customers.

Fiona Bruce: Staying in business may be the immediate aim of a micro-business, but there is often a greater end to that. The aspiration is that in time, it will be able to become an established small business and make a difference to its community and environment. We have to support and nurture micro-businesses in order for them to make that difference.

Mr Chope: My hon. Friend is absolutely right, and we all have examples from our constituencies of businesses that started very small and have become quite large. One such business in my constituency makes organic baby food, and now supplies it to major national retailers. It was based on the idea of an entrepreneur who asked, "Why are we not ensuring that people can guarantee that their children are being fed wholesome baby food at the most nutritionally important time of their life?" That enterprise struck a chord with the consumer, hence its great success. There are a lot of other examples that I will not trouble the House with at the moment.

Ben Gummer: Oh, go on.

Mr Chope: My hon. Friend is encouraging me to trouble the House with more examples. In that case, I will choose an example on the other side of the argument. There are publicly funded organisations that, over a period of time, have shown themselves to be hostile in the extreme to small and local businesses. I say quite openly that I believe that Eaga is one such organisation.

Eaga receives a large amount of money from the taxpayer to help provide insulation and subsidies so that people can increase the energy efficiency of their homes and the appliances within them. A lot of work has been done showing that its contractors—often firms that are subsidiaries of Eaga itself—provide services at a much higher cost than local contractors would, and less efficiently. I have had public arguments with Eaga about that and been told, "Well, none of these small companies will be able to give us long-term guarantees that if anything goes wrong with their work, they will be able to put it right."

Ben Gummer: How ridiculous.

Mr Chope: As my hon. Friend says, that is ridiculous. The previous Government were too obsessed with the fact that this organisation was based in the north-east of England and had grown significantly as a result of all the money that it had received from the public purse. I hope that the new coalition Government will introduce a bit more sanity and proportion into the way in which that money is spent so that we can ensure that relatively small local contractors can participate.

Jacob Rees-Mogg (North East Somerset) (Con): Does my hon. Friend agree that what he suggests is a good way of moving towards the localism agenda? If something is local, it can be smaller and involve smaller, more community-sized businesses much more easily than it can if it takes a central, Big Brother, top-down approach.

Mr Chope: My hon. Friend is absolutely right. Given time, I am sure that he would develop his argument in relation to north Somerset, as he has so ably on previous Fridays.

Localism is of great importance. When we talk about its importance, we should not be too fussed about whether we are talking about a local small business, a local social enterprise or a local charity. We must not create artificial distinctions.

Fiona Bruce: We must also not differentiate between a business being local and being big. It would be dangerous if we equated local with small. As a member of the all-party group on small business, I was a guest yesterday evening at an event at which one of the "Dragons", Theo Paphitis, spoke powerfully about the impact of his chain of shops, Ryman. He took the group on when there were about 80 shops, and there are now about 260. He encourages local staff at each store to raise money for local community projects and he then matches it. Does my hon. Friend agree that it would be dangerous if we started defining too narrowly the scope of even the businesses with which we want to engage? Local does not necessarily mean small, although as someone who has run a small local business, I fully emphasise the importance of what small businesses bring to local community life.

Mr Chope: I agree absolutely. There are so many examples. The local community may be dependent on the local post office, but the Post Office is a national organisation with a national network. None the less, it is ever so important that the local branch of that national network in a particular village is maintained and viable. The same is true of the local pub. It does not have to be owned as a freehold by somebody local; it may be part of a national pub chain. That makes no difference to the important role that it will play in helping to maintain the local community. We could go on with lots of other examples.

I turn now to the "residue" of the Bill, and I should tell my hon. Friend the Member for Warwick and Leamington that I do not mean that disparagingly—perhaps "a distillation of the Bill" would be a better expression. When we get to clause 3, we are left with a duty on local authorities not to do anything, but to consider something. My hon. Friend said that that does not offend against the principles of localism and that it is legitimate for the Government to require local authorities, and thereby councillors, to consider particular things.

Mr Hurd: Just to clarify, my hon. Friend is narrowing his remarks down to the local authorities, but clause 3 actually applies to public authorities that are contracting authorities as defined by the Public Contracts Regulations 2006. That is, the clause applies to bodies that are already subject to procurement law, which include Government Departments, local authorities and many other bodies.

Mr Chope: I am grateful to my hon. Friend for that correction and I am sorry that I was concentrating just on the local authority side. Local authorities are independently accountable through their councillors to

their electors for what they think and do, and that is localism, but I can understand that there is a stronger case for saying that unelected public authorities, such as hospital trusts or ambulance trusts, must consider something before they do it because there is a democratic deficit between the people and those organisations.

I only wish that the South Western Ambulance Service NHS Trust had given some consideration to how it might have improved

"the economic, social or environmental well-being"

of my constituency before deciding on the procurement process for the hospital car service. If ever there was an activity that is best kept local, where it is most flexible and offers the best value for money, it is the hospital car service. It was run by the ambulance trust, which stopped doing that. However, instead of being given to a range of local providers, it was given to one particular taxi firm, thereby squeezing out organisations with volunteer drivers and imposing significant extra costs on many of the people being taken to and from hospital. That is only one example. If that particular organisation had thought a bit more, perhaps in accordance with clause 3, things would have been different.

Mr Gyimah: Does my hon. Friend think that the new version of the Bill should cover the qualifications to do with contracting? It is all well and good having a strategy that states that small businesses and social enterprises need to be considered, but the lengthy forms that they have to fill in and the qualification criteria are just as difficult a hurdle for them as being recognised in the first place.

Madam Deputy Speaker (Dawn Primarolo): Order. When Members make interventions, could they please face the Chair because it is sometimes difficult for me to hear what is being said? It is not a private conversation between two Members; it needs to be recorded for *Hansard*.

Mr Chope: I am sorry, Madam Deputy Speaker. As a result of where some hon. Members are sitting, it may sometimes seem as though we are a cosy cabal, but we are not. We are trying to address our remarks to the wider world, and my hon. Friend the Member for East Surrey (Mr Gyimah) made an excellent point, which he also raised in his speech.

Under clause 3,

"The authority must consider how it might promote or improve the economic, social or environmental well-being of the relevant area".

I am glad that that will not be defined because it should be left to the individual procurers. I am not so sure about the requirement in subsection (4):

"The authority must consider whether to consult the persons (if any) for whom the authority is making provision in the exercise of that function."

Again, there is no requirement that authorities should consult—they only have to consider whether to do that. However, that could be important.

Ben Gummer: One matter that has not been drawn out in this debate—my hon. Friend is an expert on this and may wish to comment—is the interaction between the Bill and European tendering legislation. Such legislation is often thrown up like chaff by procurement officials, especially when they have got something wrong. They say, "Oh, it's all because of European rules," when most of the time it is nothing of the sort. Officials must consider a range of variables when making buying decisions, but that is completely in accordance with current European tendering legislation.

Mr Chope: My hon. Friend makes a good point. Anyone who mentions the European Union in the House immediately assures that more attention will be paid to what they have said.

I hesitate to give credit to the previous Government, who left our national finances in such a dire mess, but they were quite helpful in setting out clear advice to local authorities on what they could do under the public procurement requirements laid down in EU legislation. Contrary to what some suppose, that legislation allowed local authorities and other public procurement bodies to take into account social considerations—both in pre-procurement, to which my hon. Friend the Member for East Surrey referred, and in the specification, selection and award stages—provided that the economic advantages for the contracting authority were linked to the product or service that was the subject of the contract.

That was quite helpfully set out in detailed advice by the previous Government, and it will be replicated and slightly amended in the forthcoming White Paper that the Minister has promised. I was involved in procurement as a local councillor. One of the most frustrating things is to be told by the solicitor or officer responsible, "You can't do this because it's not allowed." Councillors, who often have a strong feeling for common sense, reply by asking, "Why can't we do it?" As my hon. Friend the Member for Ipswich (Ben Gummer) said, when we look at the small print, we find that applying wider common-sense considerations to procurement is not prohibited by EU directives.

The hon. Member for Hemsworth (Jon Trickett), who spoke for the Opposition, criticised Government Members on the basis that a large number of their speeches and interventions were slightly at odds with each other, but we should be congratulated on that, because it shows that we are engaged in a healthy political debate. In a brilliant intervention, my hon. Friend the Member for Wycombe (Steve Baker) undermined the case for the Bill very effectively, and underlined the importance of keeping the state out of social enterprise as much as possible and trusting people to come up with the right results.

I hesitated to say anything at that time, but I know of a good example of the state getting it all wrong. We were assured by the previous Government that, as a result of changes in European law, only 16,000 new migrants from the newly admitted eastern European countries would come to participate in our buoyant UK economy. I forget whether that estimate was out by 100% or 1,000%, but why was it so significantly wrong? It was wrong because no Government can second-guess what ordinary individuals will do in a given set of circumstances. My hon. Friend therefore told the House an important cautionary tale.

When my hon. Friend the Member for Warwick and Leamington makes his winding-up speech, which I hope will be shortly, he can rest on his laurels having brought to the House an important topic for discussion. Indeed, he put so much work into the drafting of his Bill that it

[Mr Chope]

could only be provided three days ago. For historians, it will be interesting to look back and compare the final version of his Bill—if it gets to Third Reading—with what was set out in the helpful research paper from the Library. It set out in 11 pages what it was thought the Bill would contain. Although it is now a much shorter and more focused Bill—and there is a case for saying that the title of the Bill should now be changed—it will be an important first for my hon. Friend if he gets it on to the statute book. Some of us have been in the House for more than 20 years and have never been successful in the private Members' ballot. Even if I had been successful, I am not sure that I would ever have been able to emulate the success that my hon. Friend will soon enjoy of steering a Bill through to a successful Second Reading.

1.31 pm

Chris White: I thank my hon. Friend the Member for Christchurch (Mr Chope). He suggested that I might rest on my laurels, but I do not intend to do so if we reach the next stage of the process.

I thank all those hon. Members who have attended this debate on a Friday, who have contributed so well to it and who have made interventions—some helpful, some very helpful and some less so. I especially thank the right hon. Member for Salford and Eccles (Hazel Blears) and my hon. Friends the Members for West Worcestershire (Harriett Baldwin), for Bedford (Richard Fuller), for Wycombe (Steve Baker), for Ipswich (Ben Gummer), for Castle Point (Rebecca Harris), for Congleton (Fiona Bruce), for North East Somerset (Jacob Rees-Mogg), for Christchurch (Mr Chope) and for East Surrey (Mr Gyimah).

We can all agree on some things. There are nuances of ideology, but I am sure that we agree that we all enter politics for the same reason—to help our constituents and the communities that we serve and in which we live. Even if the Bill falls at this stage, this debate has given us the opportunity to discuss some of these very real issues about how we procure and commission services. At the very least, our commissioners will be provoked into thinking about a different way to do things and the need to include our social enterprises, small businesses and charities—we have all given examples of their work. We all agree that these are difficult financial times, and we need to look at new models and new directions to make our communities more successful and bind our neighbourhoods together. That is a very important task for this House.

It has been pointed out—and I thank my hon. Friend the Member for Christchurch—that I would be foolish not to agree with some of the suggestions made by my hon. Friend the Minister. I take his suggestions on board, but it is important for this Bill to reach the next stage, because we need to have those discussions in Committee. We can all put our ideas on the table and help to move forward. I thank everyone for their time today and I hope that their contributions to the next phase will be equally helpful, supportive and useful.

Question put and agreed to.

Bill accordingly read a Second time; to stand committed to a Public Bill Committee (Standing Order No. 63).

Jon Trickett (Hemsworth) (Lab): On a point of order, Madam Deputy Speaker. Pursuant to the point of order made earlier today by my hon. Friend the Member for Ogmore (Huw Irranca-Davies), who, the House will recall, requested that a Minister be brought to the Dispatch Box immediately to explain the outrageous comments by the Prime Minister's enterprise adviser, I understand that the adviser has been forced to resign or may even have been sacked. Can you ensure that a Minister appears at the Dispatch Box this afternoon to explain what has happened to the shambles of the Government's enterprise policy, given what has happened today?

Madam Deputy Speaker (Dawn Primarolo): As the hon. Gentleman knows, I have no power to compel a Minister to come to the Dispatch Box; nor have I received any notice of a statement. His point has been placed on the record. I am sure that those on the Treasury Bench have heard his comments. There is nothing further that I can do on that point.

Fire Safety (Protection of Tenants) Bill

Second Reading

1.36 pm

Mr Adrian Sanders (Torbay) (LD): I beg to move, That the Bill be now read a Second time.

I wish to declare an interest as the part-owner of two properties, one of which is currently rented out. I want to thank many groups and individuals who have assisted in the creation of the Bill. Chief among them has been the sterling contribution of the Devon and Somerset fire and rescue service—both the officers and the chairman of the authority, Conservative Councillor Mark Healey. There have been contributions from fire officers around the country, landlord and tenant groups, the fire safety industry and many others. Also, I want to thank the hon. Members for Totnes (Dr Wollaston) and for Plymouth, Moor View (Alison Seabeck), both from Devon, who have given their support to the Bill.

Today, over 80% of homes have smoke alarms, compared with 9% in 1987, and between 1988 and 2008 fire deaths halved. There are, though, far too many deaths and injuries from fire. In the last year for which figures are available, 331 people died as a result of residential fires. Of these, 222—two thirds—occurred when there was no working smoke alarm. In 137 cases there was no detection system at all. Is it not possible to argue that a working smoke alarm could have saved one of those 222 lives or helped prevent one of the 9,066 non-fatal casualties from that year?

Although substantial progress has been made in recent years, we are in danger of retrenchment. The spending review has brought substantial cuts to the Government's awareness campaigns, and fire authorities across the country are contemplating bringing an end to programmes such as providing free battery-operated smoke alarms, as budget cuts take hold. Many fire authorities have carried out sterling work, not only increasing public awareness of the need to have working alarms, but through a range of other fire safety measures. I pay tribute to the hard work of Devon and Somerset fire and rescue service on a range of prevention activities. Indeed, following a serious fire in my constituency, the authority installed more than 1,200 new smoke alarms in just two months.

Building regulations currently dictate that new build, extensions and alterations should be equipped with hard-wired smoke alarms. Furniture regulations also play their part in reducing avoidable domestic fires or lessening their impact. Figures show that as awareness of fire safety increases, deaths and injuries decrease. Yet casualties are preventable, and fires, sadly, continue. We have seen a number of tragic fire deaths in recent months, quite often involving rented properties. There are gaps in the regulations governing fire prevention. Outside of houses in multiple occupation it is only guidance or good practice that governs the provision of smoke and fire detection.

The majority of landlords in the private and social sectors ensure that smoke alarms are available. They not only provide safety and reassurance for tenants, but are in the interests of landlords. Many landlords to whom I have spoken have been under the false impression that fitting smoke alarms is already a statutory duty. However, a minority of rented homes do not have smoke alarms, and they may well hold some of the most vulnerable members of our society. There is a correlation between the propensity for fire and the lack of fire safety devices. In 2001, the Association of British Insurers highlighted the fact that 81% of homes in total had smoke alarms, but less than 60% of homes suffering fires had alarms.

Promoting voluntary good practice among landlords has been very positive. The number of landlords becoming accredited is increasing, which offers tenants reassurance not only that their property will be relatively safer, but that the landlord appreciates the duty of care they have towards tenants. However, in my constituency, only an estimated 5% of landlords have become accredited, and only an estimated 15% are members of the excellent and highly professional landlords association in south Devon, of which I am a member. Sadly, the majority of private sector landlords do not join landlords associations, where best practice can be shared and standards raised. The good landlords pay a heavy price in reputation for the actions of the bad.

Social housing providers also need to ensure that they are working to best practice. When a recent house fire in my constituency highlighted the issue of fire safety, it was found that about one quarter of the houses belonging to the largest social housing provider, Riviera Housing Trust, had no smoke alarm. Much to its credit, the trust has now pledged to ensure that all properties have working smoke alarms. However, if a housing association can provide a service to vulnerable people without needing to ensure safety from fire, Government guidelines are clearly lacking.

Alison Seabeck (Plymouth, Moor View) (Lab): I am listening intently to the hon. Gentleman's comments. Will he tell the House exactly what conversations he has had with Ministers in the Department for Communities and Local Government, either on the housing or the fire side, about the nature of his Bill?

Mr Sanders: Since the Bill was published—four and a half months ago—I have made repeated attempts to arrange a meeting with the Under-Secretary of State for Communities and Local Government, the hon. Member for Bromley and Chislehurst (Robert Neill), who has responsibility for fire, but I have met another junior Minister, who kindly allowed me to talk things through with civil servants. However, I was shocked this morning when the Under-Secretary said to me that if I withdrew my Bill, I could have a meeting with him. That was an insult to the people who have died in fires and their relatives.

The key word is "guidelines". The housing health and safety rating system highlights 29 factors that may be taken into consideration by local authorities when assessing risk to all residential properties. If fire is seen as a category 1 hazard, enforcement action can be taken. Other guidance documents over recent years have stressed the importance of smoke alarms, but still local authorities are free to do as little about it as they wish. A number of cases have highlighted the need for better regulation. At an inquest into a fatal fire in Yarcombe near Honiton in Devon in May 2008, the coroner resolved to contact DCLG Ministers urging them to review whether smoke detection could be made mandatory in rented domestic dwellings. To date, DCLG has not responded positively.

[Mr Sanders]

Earlier this year, there were fire deaths in two incidents in Northumberland, at Ashington and Bedlington. Three people died in total and in neither fire were there any working alarms. In September, an elderly woman died in a fire in Porlock, Somerset. Again the fire authority found no smoke alarms. Indeed, fire officers have told me that they have never attended a fatal fire where working smoke alarms have been present, and the number of cases reported in the local press of smoke alarms saving families from death and/or injury is significant. There should be a straightforward solution to this problem.

In 2004, the Office of the Deputy Prime Minister Committee, of which I was a member, produced a report on the fire service with the following recommendation:

"We believe that functioning smoke alarms save lives and reduce injuries. The Committee congratulates those Fire Services which operate initiatives to fit free smoke alarms for the vulnerable. We welcome the requirement for alarms to be hard-wired in alterations, extensions and new buildings. We recommend this requirement be extended to include all existing tenanted properties, housing of multiple occupation and housing for vulnerable members of society. If the design of such buildings makes installation of hard-wired alarms impossible, we recommend use of alarms fitted with 10 year batteries."

This Bill seeks to implement the Select Committee's recommendations, which are still on the table, six years later. It will ensure that all landlords provide a working hard-wired fire detection system at the start of any tenancy agreement. That will be a legal requirement, in the same way that a landlord must have the gas system certified annually, an electrical safety check, and an energy performance certificate. From commencement of the tenancy, responsibility shifts to the tenant, who should refrain from causing damage to the system, and report any problems punctually, in the same way that the vast majority of tenants already do with all aspects of their home. As one of the Devon and Somerset fire officers said, when someone buys a car, it has to come with a seat belt. After that, it is the responsibility of the driver to use it properly. The same applies to smoke alarms. It seems eminently sensible that rented properties should be safe at the start of a tenancy, but it is equally sensible that the tenant should take responsibility for their safety after that.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): I apologise for missing the start of the hon. Gentleman's speech, and commend him for bringing the Bill to the House. Is he aware that, before and subsequent to the Select Committee's report, even when smoke detectors without extended-life batteries or hard wiring were given away by registered social landlords and fire brigades, that did not work because batteries were taken out or they were sold at the local pub? Hard-wired detectors and 10-year batteries have been proven to work, and have saved lives. I wish the hon. Gentleman every success with his Bill.

Mr Sanders: The hon. Gentleman is absolutely right. Indeed, the figures are startling, both for failure rates and the number of properties where batteries were removed. That is why all building regulations today, and the Bill, require the hard-wired solution where it can be implemented.

My aim is to ensure that all rented properties, not just those covered by the latest regulations, have a good deal of fire safety. Tenants would not have only 20 seconds' warning, and that could be the difference between life and death. It would save dozens of lives every year, and could prevent thousands of injuries. It would save millions of pounds of taxpayers' money which is otherwise spent on preventable death and injury, health and social care costs, welfare and support. There are issues that need resolving in Committee, including the applicability to long-term tenants, a suitable process to allow landlords to hold their tenants to account without protracted civil court proceedings, and so on.

Making smoke detectors compulsory in all rented properties has broad support, including from the former Select Committee. Early-day motion 31 endorses mandatory detectors and has cross-party support. Indeed, immediately before the general election, the then shadow Home Secretary visited my constituency and was quoted in the local press as saying that he wholeheartedly supported the campaign. I only hope that his Front-Bench colleagues share that diligent attitude to saving lives.

Fire authorities have done a great deal in promoting fire safety, but there is a gap in protection that needs filling, and the fire service on the ground tells me that legislation is the only way to achieve that. I am aware of ideological objections that the Minister may have to regulation, but I hope that I can persuade him that not all regulation is pernicious and malevolent. In fact, much of it has been designed to protect and to save lives. The current regulations on fire protection in houses in multiple occupation, furniture regulations, and regulations on new build have all contributed to a decline in death and injury from fire.

Where there are market solutions, they need to be deployed, but it is clear from my discussions with the insurance industry that it does not accept that compulsory fire alarms are a priority. It simply adjusts its premiums and allows bad landlords to continue to put tenants at risk.

If the Minister is unable to set aside his ideological objections to regulation, there are many suitable candidates for removal that could serve the Administration's one-in, one-out rule. One solution would be to consolidate or bundle the current safety regulations applying to landlords. They are already mandated to check gas and electrical equipment and to provide an energy performance certificate, so why not streamline all the relevant regulations that affect landlords?

The energy performance certificate, for example, often proves of no practical use to tenants, and it certainly will not save any lives. Perhaps the Minister could look at exempting landlords from having to produce energy performance certificates, and give them the same status that life-saving alarms have under the current guidelines. The one in, one out principle: sorted; simple. The bottom line is that regulation saves lives and ideological objections take lives. This is an interesting test for the coalition, because that difference goes to the heart of what divides most Liberal Democrats from most Conservatives. Is the Minister big enough to bridge that divide?

1.50 pm

Alison Seabeck (Plymouth, Moor View) (Lab): I warmly congratulate the hon. Member for Torbay (Mr Sanders) on introducing this important piece of legislation. I will

not detain the House for long with my own comments, but I want to offer my party's support for this measure. I am pleased to see two former firefighters in the Chamber today. The comments made by my hon. Friend the Member for Poplar and Limehouse (Jim Fitzpatrick) were entirely apt. Sadly, the Under-Secretary of State for Transport, the hon. Member for Hemel Hempstead (Mike Penning), is no longer in his place, but he is unable to contribute to the debate anyway as he now sits on the Front Bench. Otherwise, I am sure that he would have some very strong views on the Bill.

In yesterday's debate in Westminster Hall initiated by the hon. Member for Loughborough (Nicky Morgan), we heard about the tragic death of two people in a house in multiple occupation in the constituency of the hon. Member for Milton Keynes North (Mark Lancaster) who, in an emotional speech, highlighted the figures that we have heard again today, which confirm the very high number of deaths in HMOs. We know that there is some protection for those living in HMOs, but it is clearly inadequate. The hon. Gentleman confirmed that the problem existed across the whole private sector. That sector has raised its standards and the quality of its accommodation in recent years, but I am afraid that there are still rogue landlords.

I have met representatives of Devon and Somerset fire service and had a very useful conversation with them. They flagged up the number of very serious incidents in their area, and it is quite frightening and wholly unacceptable that we should simply stand by and allow this to continue, particularly when the number of deaths caused by fires where there is no hard-wired smoke alarm exceeds the number caused by electrocution and gas malfunction by a ratio of more than 5:1.

Why are the Government not supporting this measure? How can the Minister justify rigidly sticking to the one-in, one-out regulation restriction, which I believe is the block on this wholly laudable attempt to improve fire safety, given that more than 200 lives have been lost as a direct result of the lack of a secure smoke alarm? I urge him to allow the Bill to progress into Committee, so that the hon. Member for Torbay can continue to explore options for some kind of joint safety certificate, perhaps bringing existing regulations into one simple duty, linking energy, gas, electricity and fire safety checks. Even on its own, the provision of hard-wired smoke alarms would not be an enormous burden for landlords, not least because I would expect insurance companies to view more kindly a property with such alarms with regard not only to buildings insurance but to tenants' contents insurance. The hon. Gentleman has set out some of the costs involved. Why is it right that new build properties that are rented offer this safe standard, yet it is not appropriate for people in older properties? Apparently, it is okay for those people to live in unsafe conditions.

During a debate on delegated legislation this week, the Minister for Housing and Local Government seemed to dismiss the importance of fire deaths in HMOs. In response to a question from me, he said:

> "I imagine that the hon. Lady is not suggesting that the change in legislation in October led to some of those terrible fires".—[*Official Report, Fourth Delegated Legislation Committee*, 16 November 2010; c. 12.]

Well, actually, yes I am, in relation to the further deregulation of HMOs. We have the evidence, and we know that more than one third of the fires where there was no smoke alarm were in HMOs. That is why we continue to oppose the move further to deregulate that type of property and to oppose the increase in that type of property. If the Government want to put right that wrong, at least in part, they will not talk out the Bill today but allow it to go into Committee.

Let me touch on the anticipated growth in the private rented sector and houses in multiple occupation as a result of loosening HMO regulation and of changes to housing benefit. The figures from the Department for Work and Pensions suggest a requirement of at least an additional 88,000 bedsit accommodations. I fear that some landlords—admittedly, a minority—will subdivide homes with plywood to cram people in and fail in their duty to protect their tenants with a perfectly sensible and easy-to-install hard-wired fire alarm. When we have had the first fire death in such properties, will the Minister come back to the House to justify his position of talking out the Bill, or will he allow it to proceed? It is in his hands, and we will listen closely to his response.

1.55 pm

Dr Sarah Wollaston (Totnes) (Con): I start by congratulating my hon. Friend the Member for Torbay (Mr Sanders) on this Bill. My Totnes constituency shares half of Torbay—an area in which people know only too well what the consequences of tragic fire deaths mean both for families and for the wider community.

Thirty-one people died in the Paddington rail disaster; we quite rightly held a public inquiry and no expense was spared to make the railway safe. The fact is, however, that in the year running up to March of this year, 328 people died in fires, but they did not all die on the same day or even in the same week; otherwise we certainly would have held a public inquiry into those deaths.

Most people in the outside world would assume that smoke detectors are already compulsory, but they are not. They would also assume that for the most vulnerable households in our country—houses in multiple occupation or homes where vulnerable children are living with adults who are not in a position to care for them properly—protection already exists. After the incident in Torbay, to which my hon. Friend referred, people assumed that corporate manslaughter charges would be brought; in fact, there was no possibility of that because there was no compulsion in the law for smoke detectors to be fitted, even though this was a vulnerable household.

Smoke detectors save lives, and nobody disputes that. Nor does anyone dispute that hard-wired smoke detectors are far preferable to battery-operated smoke detectors. This amounts to a law of diminishing returns. If the Minister will not accept the expense of installing hard-wired systems, there must surely be a case for insisting at least on extended-life batteries that provide 10-year protection. Again, that really would save lives, so I put the same question to the Minister as was put previously: if there is another fire death, or particularly if there are large-scale fire deaths, will he come back to the House to explain why this very simple measure, which would save so many lives and be so simple to introduce, was not introduced?

I agree with my hon. Friend the Member for Torbay: if we have annual gas safety checks and if it is possible to insist at the beginning of an occupancy on an energy-saving certificate and an electrical safety certificate, why is it not possible to insist on a system that, as a bare

[Dr Sarah Wollaston]

minimum, will have a 10-year battery life? My preference is for hard-wired systems, but if that is not possible, what is wrong with simply requiring a technician at the beginning of a tenancy to press a test meter, especially if it could save lives? I urge the Minister to consider those issues; I will not detain the House further.

1.58 pm

Jim Fitzpatrick (Poplar and Limehouse) (Lab): It is a pleasure to follow the hon. Member for Totnes (Dr Wollaston), who made a robust case in support of her hon. Friend the Member for Torbay (Mr Sanders), the proposer of the Bill. I shall not speak for long, mainly because running down the clock will make a trifle easier the Minister's opportunity to talk this Bill out. I have a high regard for him, but I understand that the Government will not support the Bill, which I find very disappointing.

I support the Bill because, as the hon. Members for Totnes and for Torbay and my hon. Friend the Member for Plymouth, Moor View (Alison Seabeck) have said, everyone knows that smoke detectors save lives.

When I was fire Minister in 2005, I used to travel around the country. One chief fire officer introduced me to a fire crew who had only recently started installing smoke detectors on a council estate on their fireground. He took some pleasure in introducing me to the officer in charge of the crew. Asked by the chief fire officer to explain their experience the previous week, the crew told me rather sheepishly that they had fitted a smoke detector in a home and had been called out some six hours later to find the mum and three children on the pavement. They had been alerted to the fact that there was a fire in the dwelling by the smoke detector. Although that was not an exciting incident for the crew to attend, because they did not have to carry out any live rescues, the people in the building could easily have died had it not been for the smoke detector. The installation of the detector had been far more effective in saving lives than a fire engine a mile down the road responding to a 999 call would have been.

Everyone knows that smoke detectors save lives, and hard-wired detectors are the most effective. The Bill gives the Government an opportunity to proceed with social legislation that I fully support.

2.1 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): Let me start by declaring an interest, which can be found in the Register of Members' Financial Interests, as the owner of a residential property from which rental income is received.

I congratulate the hon. Member for Torbay (Mr Sanders) on his Bill, which raises important issues. I am the last person to denigrate or minimise the risks involved or the importance of fire prevention, and I am sure that the hon. Gentleman did not intend to suggest otherwise by anything that he said. The Government are committed to recognising the importance of fire prevention, and continuing prevention work. We could debate the ways and means of achieving our aim and whether primary legislation is ideal for the purpose, but I trust that Members in all parts of the House are committed to protecting people from the risk of fire.

Let me give some background to the debate and, in doing so, refer to Members' helpful contributions. I have listened carefully to what has been said, but let me say something about the work that has been done so far, some of which was mentioned by the hon. Member for Poplar and Limehouse (Jim Fitzpatrick). I am delighted to see him in the House today, and I welcome him to the debate. He has a high reputation in the fire community as someone who served bravely as a firefighter and was also an excellent fire Minister. I weigh his words with considerable respect, and take note of them. On his watch and that of other Ministers, real progress has been made in improving fire safety.

Beside me on the Front Bench is the Under-Secretary of State for Transport, my hon. Friend the Member for Hemel Hempstead (Mike Penning). When he was in a position to speak on these matters, he was himself a doughty campaigner for fire safety, and, like the hon. Member for Poplar and Limehouse, he has served as a firefighter on the front line. I pay due heed to those who really understand these matters.

Co-ordinated fire safety strategies have been in place for some years, and they have been very successful. The number of fire deaths in the home in England has halved since the 1980s, and the long-term trend is downwards. In 2008—the last year for which we have fully published figures—213 people sadly perished in accidental fires in the home, compared with 363 in 1995. That is a reduction of some 40%, which is clearly welcome. The long-term trend for non-fatal fire casualties is also downwards: in 2008 there were 9,200 such casualties, compared with 13,844 in 1995. Those are significant and worthwhile reductions. I hope it goes without saying that one fire death is one too many, but that is worth restating none the less. The tragic events at the fatal house fire in Bridlington last week, where three children died, brings into sharp relief the importance of fire safety and fire prevention. I am sure the thoughts of all Members go out to the relatives and friends of the family.

When I was leader of the London fire and civil defence authority, as part of my duties I met people who had lost relatives in fires. One fire death is a tragedy and a disaster for everybody involved. Although we should recognise that some good work has been done, recent statistics suggest that the long-term downward trend, to which I referred, may be beginning to plateau, and therefore it is right that the hon. Member for Torbay raises this subject. We are all interested to see whether those statistics are correct, and if so, how we can find steps to drive down the number of fire deaths still further. The question is the means by which we do so.

Alison Seabeck: Will the hon. Gentleman tell us when he last met organisations such as the fire commission and the Fire Protection Association to discuss how we reach those ends?

Robert Neill: I have had a raft of meetings with organisations across the fire sector. I will not pretend off the top of my head that I recall those particular ones, but I regularly meet representatives of, for example, the Chief Fire Officers Association, the fire prevention industries and the Fire Brigades Union, and I continue to keep in touch with them. I am aware that these

issues are often discussed with Housing Ministers as responsibilities overlap here. Under this Administration, the door of our Department is always open to professional and voluntary organisations that want to raise issues with us.

Alison Seabeck *rose—*

Robert Neill: If the hon. Lady wants to suggest more people whom it will be useful for me to meet, I am happy for her to do so.

Alison Seabeck: I am aware that the fire commission, which is part of the Local Government Association, has requested a meeting with the Minister. I hope that it will get a positive response.

Robert Neill: I have in fact met the Local Government Association's fire forum on more than one occasion. I have attended its meetings and have had meetings with its chairman, Councillor Brian Coleman, and other leading members. I have already made it clear that I have a regular series of debates, but I am grateful to the hon. Lady for raising that point. I am sure that if the fire commission wishes to raise a specific issue, it will ask for a further meeting and I will happily oblige, as I hope I have always tried to do.

Although there has been success, we can never be complacent; we wish to drive the number of deaths down further. The Government's key strategy is to drive down the number of preventable fire deaths through community fire safety activity. I say "drive down" the number because, tragically, there will be some instances where, despite everything being done, it is not possible to save someone. We want to get the numbers down to the irreducible minimum, of course. The strategy is to drive down the number of preventable fire deaths through community fire safety activities, in which the hon. Member for Poplar and Limehouse took a leading part when he was a Minister. The strategy involves efforts to reduce the number of fires through education, information and publicity. The installation of properly maintained smoke alarms in every household is at the centre of efforts to reduce fire death in the home, as they provide important and vital early warning of fire and can help people to escape. The Fire Kills campaign has for some time conducted high profile campaigns promoting smoke alarms and maintenance messages, which have proved very successful.

The English housing survey 2008, published last month, shows ownership of smoke alarms in all dwellings in England standing at 91%. It is a significant achievement for the Department for Communities and Local Government and the fire and rescue service that nine out of every 10 homes have a smoke alarm installed. I am grateful that the hon. Member for Torbay mentioned the excellent work of Devon and Somerset fire and rescue service, its firefighters and chief officers and the chairman of the authority. He is absolutely right: all of them do fine work. There has been great consistency of application by fire and rescue authorities. Circumstances vary, but much work is being done and Devon and Somerset is a good example.

Although that is a significant achievement, we aim to raise that percentage even further because, as the hon. Gentleman said and I accept, there is evidence that those without fire alarms—the remaining 10%—are often in the groups who are at the most risk from fire. Furthermore, there is concern arising from some statistics that show the importance of not only fitting alarms, but making sure that they are properly maintained. In some cases, sadly, there is evidence that a smoke alarm failed to operate—the battery had gone flat or had even been removed. There are also instances—one of the recent fires reported to this House among them—showing that even the provision of a properly working smoke alarm cannot guarantee that lives will be saved. In one of the fires I mentioned, the smoke alarm operated properly, waking and alerting those in the neighbouring house, but, for reasons that are not yet apparent, not enabling the occupants of the house to make their escape.

When we look at changes in technology—we have heard about 10-year life batteries or hardwired alarms, which I am happy to discuss further with hon. Members on both sides of the House—it is also worth considering the fact that, in many cases, death is caused not by smoke inhalation, but by carbon monoxide poisoning. We should consider seriously whether dual-sensor arrangements should be brought much more to the fore, moving the position on yet further. I hope that we can discuss that. By no means am I closing the door to potentially better ways of improving safety.

Jim Fitzpatrick: The Minister is held in high regard by the fire community because of his leadership of the London fire and civil defence authority, and he speaks with considerable authority on these matters, but the key question to which Members are keen to learn the answer is: do the Government support the Bill? If not, why not? If the reason is the one to which the Bill's sponsor and my hon. Friend the Member for Plymouth, Moor View (Alison Seabeck) alluded—regulation—will the Minister not take the opportunity to consolidate existing regulations to accommodate the one-in, one-out rule, as the coalition wishes?

Robert Neill: The situation is a little more complex than the hon. Gentleman puts it, although I acknowledge the sincerity with which he does so. Let me set out the difficulties. First, it is not only a question of regulation. When an obligation and a duty are imposed under any legislation, it is important to ensure that the obligation and the duty—especially if they are backed up by a criminal sanction, as is normal in these sorts of regulatory instances—are properly and practicably enforceable. For reasons that I shall explain, I have concerns about whether the measures in the Bill would be practicably enforceable.

Adam Afriyie (Windsor) (Con): My hon. Friend is making a powerful case about his and the Government's concern for fire safety. Is he worried about how much it might cost to implement these measures, as opposed to alternative measures that the Government might be considering?

Robert Neill: The cost to the sector of going entirely down the route of hard-wired alarms, which are probably the best systems—they can be disabled by a determined person, but are much less capable of being so disabled—would be very significant. Figures in the range of £540 million to £1.2 billion have been suggested, and "Fire Research News" has quoted some significant figures

[Robert Neill]

that I can make available to the House. I should therefore like to have further discussions about the appropriate and sensible way of taking this forward. There is a cost element, but there is also the element of practicality. If we are putting a burden on a sector, as inevitably we sometimes do, we must ensure that it will ultimately be enforceable in any event. That is one of my concerns, as I said to the hon. Member for Poplar and Limehouse.

The fact that we are committed to continuing the education campaign is important in this regard. Education about the use and maintenance of fire alarms is pretty key to ensuring that whatever system is installed is effective and useful. The Cabinet Office's Efficiency and Reform Group has recognised that the Fire Kills media campaign delivers measurable public safety benefits. The Fire Kills campaign is therefore exempt from the freeze that was otherwise imposed on Government advertising campaigns and will continue in the coming year. It is an important and effective programme, which this year will focus very much on helping fire and rescue services, and their partners, to deliver key messages locally within their communities. It will again be a national campaign, supported and developed by the Department for Communities and Local Government. It will be underpinned by a radio advertising campaign, and we will be working with commercial and voluntary sector partners on new opportunities to get across the messages about smoke alarm maintenance. The radio advertising campaign will commence on 27 September and run each weekend until the end of March 2011. A key message will be to promote the importance of regular smoke alarm testing.

Adam Afriyie: My hon. Friend is setting out some sensible ideas on the way forward in terms of advertising and awareness campaigns. I am sure that everyone here empathises with those ideas and supports the expenditure. I am certain that he sympathises with the Bill, but does he acknowledge that it potentially embeds an older technology into legislation, which we are trying to get away from? Does he agree that legislating for a particular technology might not be wise when internet and wireless devices, and all sorts of similar things, are being developed?

Robert Neill: My hon. Friend makes an important point. I regard the Bill as being entirely well intentioned. However, apart from my concern about enforceability, I am worried that a piece of primary legislation that commits us to a particular technology may create a needless rigidity in the arrangements, because things change. As he says, there is already quite a bit of work coming through in the fire research community about the use of wireless devices. A good deal of work is also being done on dual sensor devices which combine a carbon monoxide alarm and a traditional smoke alarm. Ironically, the Bill could entrench one technology when a better one has come along. Certainly the hon. Member for Torbay never intended that, but it is another reason for taking steps, whether legislative or non-legislative, after significant discussion across the sector. I am more than happy to undertake to continue that discussion.

I have referred to our awareness campaigns, and it is important that I also mention the regulatory arrangements that are currently in place, particularly in relation to vulnerable properties. We must consider fire safety across the piece. The Regulatory Reform (Fire Safety) Order 2005 defined landlords as responsible persons, which imposes obligations on them to risk-assess fire safety in the common parts of a building, to take adequate precautions and to manage any remaining risk. Although the order applies only to the common parts of premises, in many residential premises the responsible person will in practice need to take account of fire safety measures in place in individual dwellings.

Mr Sanders: I am intrigued about all these wonderful new technologies, which presumably must be cheaper given that one of the objections to the Bill is the cost of the old technology. Will the Minister now amend all the existing fire legislation relating to smoke alarms, so that alarms are upgraded to the new super-duper systems, which must be much cheaper if the objection is finance?

Robert Neill: With every respect, I think my hon. Friend is being a little disingenuous in assuming that the sole objection is finance, but it is a significant matter to take on board. I have also mentioned the practicality of enforcing his proposals. I am sure he will agree that where there is an existing regulation based on a particular type of technology, we should not necessarily repeal it until a new one comes along, but nor should we necessarily introduce new legislation based on a premise that has been overtaken by events. I very much hope that, whatever the outcome today, he and I will be able to have significant discussions with officials and others in the sector about how to get a regime that can cope with the changes in technology.

Fire and rescue authorities have a legal duty to enforce the provisions of the 2005 order in the common areas of residential accommodation. It is well known that sometimes fire can spread up through the common parts of a building, including in blocks of flats and houses in multiple occupation.

The Housing Act 2004 introduced the housing health and safety rating system, which is the principal tool for assessing fire safety risk and regulating standards in all types and tenures of residential accommodation, both individual dwellings and housing blocks. There is no regulatory requirement for landlords to install smoke alarms, other than in higher-risk HMOs, which are subject to statutory licensing. There are enforcement abilities in respect of those properties. That system has been accepted by all parties, and was introduced by the previous Government not as a blanket regulatory requirement but as a proportionate, risk-based approach. They were right to do that, and the current Government are minded to continue the same approach.

The HHSRS is about the whole property, not just one feature. It involves an assessment of the likelihood of a fire starting, the chance of its detection, the speed of its spread and the ease and means of escape. That last part is important, because although a working smoke alarm is usually valuable in alerting occupants to a fire, it must go hand in glove with an effective means of escape from a dwelling.

Adam Afriyie: There is a great virtue in the Bill, irrespective of whether it is tied to a particular technology or method of securing safety. As the former shadow Minister with responsibility for science and innovation,

it is important to me that, before supporting any measure, we have not just anecdotal evidence, but clear, systematic studies to determine whether the cost per life saved, for example, would be better under the Bill or under existing methods. I urge the Minister to go back to his Department to look at ways of conducting research to determine the most cost-effective way that will save the maximum number of lives.

Robert Neill: My hon. Friend makes an entirely fair and interesting point. Of course, we cannot put a price on saving life, and I would not like to think that anyone thought we could do that. Inevitably with a private Member's Bill, we do not have an impact assessment, as we might with a Government proposal. However, if he is saying that we should keep the door open to considering the most effective technology, he is right. As I made clear to the hon. Member for Torbay, however, price is not the sole consideration. I also want something that is genuinely enforceable and will genuinely work on the ground. That is why it is important to look at up-to-date technology and not inadvertently to create a lack of flexibility.

Mr Christopher Chope (Christchurch) (Con): One thing that concerns me about the Bill is the requirement that every tenant should have to test the smoke alarm once a month. There is no sanction, so I cannot understand how that provision would be enforced. Does my hon. Friend understand how it could be enforced?

Robert Neill: With every respect to the hon. Member for Torbay, I am afraid that that is one of the most significant problems with the Bill. As I said, it is difficult in principle to create an obligation without some means of enforcing it.

Two specific difficulties arise in relation to the obligations in the Bill. First, it works on the premise that its requirements must be included in a written contract of tenancy. As a matter of practice, most contracts of tenancy are in writing, but there is no legal requirement for them to be. I would not want to create a perverse incentive for people not to have written contracts so that they could get around these provisions.

The second point, as my hon. Friend the Member for Christchurch (Mr Chope) rightly said, is that there is an obligation not only on the landlord to ensure that the system is in place—that might be straightforward enough, subject to certain cost considerations and the right technology—but on the tenant to test all smoke alarms

"at least once a month"

and to

"notify the landlord of any defect".

I find it difficult to see how that could ever be policed in any proportionate or practical manner. If the provision is intended to raise the awareness of landlords and tenants of the desirability of such measures, that is well and good, and I would welcome it. However, primary legislation is not the right route to deal with that laudable objective.

When a criminal sanction attaches to the tenant who fails to test the fire alarm once a month—the Bill refers to tenants failing to do that—there are real risks involved. That aside, although the landlord faces a criminal sanction under clause 2(1), it is not clear what the sanction on the tenant is, so how do we enforce it? An obligation that is not enforceable will not actually help anyone. Furthermore, there is no means of coming back at the landlord, even if the tenant did notify him, and he did not act. If such a case ever came to proceedings, how would we prove whether it was the tenant who had not tested the system or, having tested it, had not notified the landlord of the problem—there could be two errors—or the landlord, who, having been notified, had failed to act? There are so many variables and possibilities that the Bill does not make for good primary legislation. That is why, with every respect to the hon. Member for Torbay, I do not believe that it is the right way forward, but I am more than happy to have discussions with him.

Officials have met the hon. Gentleman before today. He met the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Hazel Grove (Andrew Stunell), who has responsibility for housing, on 13 October, and he has had discussions with officials. We have not shut the hon. Gentleman out of the Department, and I greatly hope that he will take up the opportunity to meet me and discuss the matter further. He has a good reputation for campaigning on the subject, and I hope that he will act as an advocate for people, both as a Member of Parliament—

2.30 pm

The debate stood adjourned (Standing Order No. 11(2)).

Ordered, That the debate be resumed on Friday 21 January 2011.

Business without Debate

WRECK REMOVAL CONVENTION BILL

Bill read a Second time; to stand committed to a Public Bill Committee (Standing Order No. 63).

CREDIT REGULATION (CHILD PORNOGRAPHY) BILL

Motion made, That the Bill be now read a Second Time.

Hon. Members: Object.

Bill to be read a Second time on Friday 21 January 2011.

FINANCIAL SERVICES (REGULATION OF DEPOSITS AND LENDING) BILL

Motion made, That the Bill be now read a Second Time.

Hon. Members: Object.

Bill to be read a Second time on Friday 30 March 2012.

PARLIAMENTARY STANDARDS (AMENDMENT) BILL

Motion made, That the Bill be now read a Second Time.

Hon. Members: Object.

Bill to be read a Second time on Friday 3 December.

Holidays (Low-income Families)

Motion made, and Question proposed, That this House do now adjourn.—*(James Duddridge.)*

2.31 pm

Bob Russell (Colchester) (LD): In view of the lead story in *The Daily Telegraph* today, I thought that perhaps I should cancel the debate, which in many respects relates to child poverty. The headline says, "Recession? You've never had it so good". However, I will not cancel it because, for millions of children, what is in the headline is manifestly not the case. The Prime Minister's enterprise adviser, Lord Young of Graffham, is quoted—no doubt raising his voice above the clink of champagne glasses—as saying that

"people will wonder what all the fuss was about"

when looking back at the Government's spending cuts, the deepest in more than 30 years.

However, back in the real world, things are different, as I shall explain. The timing of the debate could not be better because today is the BBC's annual Children in Need day. With memories of the summer holidays still hopefully fresh in people's minds, and with holidays in the UK or abroad doubtless the norm for Members of Parliament and their families, I invite the House to reflect on the following disturbing statistic: for almost one in three families, there was no holiday away from home—not even a single day trip to the seaside for a third of the nation's children. That is the reality in the UK, one of the world's richest countries, where the divide between rich and poor widened over the past decade.

When answering a question in the House of Lords on 8 February this year, on the then Government's attitude to social tourism, the Minister, Lord Davies of Oldham, was interrupted and asked to explain what exactly was meant by social tourism. He replied:

"The concept behind social tourism is to ensure that those in society who are less well off get the opportunity to go on holiday…That is the concept...and the Government are of course sympathetic to it."—[*Official Report, House of Lords,* 8 February 2010; Vol. 717, c. 478.]

Today, I would like to talk about social tourism and why we need to pay more attention to it in the interests of those who would get the most direct benefit, particularly children, and the economic benefit it would generate. In the UK, social tourism is a concept that is little heard of and even less well understood.

I am therefore grateful to the charity, the Family Holiday Association, and its director Mr John McDonald, whom I met recently. I was so impressed with what he told me that I decided that I would bring its excellent work and objectives to the attention of the House, in the hope that perhaps someone in Government will listen and conclude that it should be supported and encouraged. As Mr McDonald told me, movingly and powerfully:

"Holidays help to make stronger, healthier, happier families, which in turn contributes to a healthier, happier, caring society that benefits everyone."

However, some 7 million people in the UK are excluded from breaks through lack of money, and more than 1.5 million families cannot even afford a day trip.

Of course, I am not talking about holidays that some people—I exclude myself— have, sipping cocktails by the pool under the Caribbean sun, but relatively simple off-peak breaks here at home—more Skegness or Sheringham than Spain or the Seychelles, more train than plane. Many of us manage to take a decent holiday at least once every year. We consider it a necessary part of life to ensure that we stay healthy—physically, emotionally and mentally.

The Government already use the lack of a one-week break away from home as a measure of poverty, and the Office for National Statistics provides the shocking figures that tell us that more than 2 million families with dependent children—almost one in three families—cannot afford a simple holiday. Sadly, that is likely to get worse as austerity measures gather pace. Official Government statistics reveal that 3.9 million children already live below the official poverty line.

Figures supplied by the Family Holiday Association, which describes itself as the

"charity that gives families a break"

show that 21% of children from households with either married parents or a cohabiting couple cannot afford a one-week break. For single mothers or fathers, the figure is 57%. The number of children, therefore, who do not have a holiday is 3,770,000. According to figures from the Office for National Statistics 2004 social inequalities report, 7 million people do not have a holiday—that figure includes children and parents. I am not sure whether there has been a report since, so perhaps it is time the ONS undertook a fresh one to reflect the current situation. I doubt that things have improved, or that they will improve without Government intervention, which I am calling for today. The 2004 report also gave depressing statistics on how many children did not enjoy even a single day trip—a total of 2,570,000.

Not only the lack of finance prevents children from having a holiday. Families often face complex issues such as long-term illness, chronic depression, disability—both physical and learning difficulties—family break-up and domestic violence. Sadly, more often than not, the families struggling in the most difficult situations cannot get away but would most benefit from a break.

Children especially suffer if their family can never have a break away from home. Not only do they miss out on quality family time, they have few opportunities to broaden their horizons, and have no special memories or stories to share with friends. They can feel excluded and isolated, which may eventually contribute to even more serious problems. A worker at a Women's Aid refuge has told me this:

"I see some of the terrible difficulties families must deal with. A simple holiday helps families forget for a short time all the horrible things that are happening in their lives. After their break, I see mums and their children smile again. But more importantly, they seem much better able to cope with the everyday pressures they face."

There is a growing body of scientific research—both British and international—that supports the contention that a break away from home can improve well-being and reduce stress, increase self-esteem and confidence, strengthen family communication and bonding, and provide new skills, widen perspectives and even enhance employability. A study from the university of Westminster published in April last year in the highly rated *Annals of Tourism Research*

"examined the value of social tourism for low-income groups, in terms of the benefits it can bring to the participants both in the short term and in the medium term…It has shown that for a

modest investment in terms of time and money, holidays can facilitate significant benefits in the personal and family development of the participants. It has also highlighted new aspects of the social impacts of tourism, and has shown the potential of tourism as a part of social policy: not only because of the inherent benefits of the holiday, but also as a support for the success of other, existing interventions."

However, the UK has a long way to go before access to holidays for disadvantaged families is an integral part of social welfare policy. Is social tourism a new-fangled idea with little or no real track record? The truth is that the concept of social tourism has deep and historic roots in the social welfare policies of many European countries.

In France, the "Chèque-Vacances" scheme, which is administered by the state-sponsored ANCV, last year helped more than 7.5 million people with a break. The mechanics of the scheme mirror those of our child care voucher system. Employees save money from their pre-tax salary to purchase their holiday vouchers, which can then be used to pay for accommodation, travel and restaurant costs. Some 135,000 establishments in France accept the vouchers, which come in €10 and €20 denominations.

In addition to the social welfare benefits that the scheme delivers to the millions of French citizens who participate, it is also recognised as a significant economic driver for French domestic tourism by pumping more than €3 billion into the tourism economy. The dual impact of social welfare and economic benefit is repeated in the multitude of schemes to be found across Europe, including the state-sponsored IMSERSO scheme in Spain. Last year, that holiday-subsidy project helped more than 1.2 million Spanish senior citizens to access an off-peak break at the Spanish seaside. A PricewaterhouseCoopers evaluation of the scheme for the Spanish Government found that for every €1 of subsidy, an additional €1.5 of tax receipts was generated for the Spanish Treasury.

One million-plus pensioners heading towards the coast during the quieter off-peak periods generates a great deal of economic activity, helping to extend the season and to generate and extend employment. PWC was at pains to point out that it had not even looked at the cost savings accruing to the Spanish health care system from animating so many senior citizens. Similar schemes are to be found throughout Europe from hard-up Greece, through to Italy, Switzerland, Germany and Scandinavia.

Not all social tourism schemes are huge like the French and Spanish examples. In Belgium, the Flanders tourist office has made it a condition of registering with the tourist board that holiday establishments provide free or discounted holiday nights. These offers are then aggregated into a brochure that is made available to social organisations throughout Flanders to help disadvantaged families access that much-needed break away from home. This year the Flanders Government expect to help more than 90,000 people with a Flanders-based break.

Perhaps the Government could undertake a trial scheme, based on what is achieved across the North sea in Flanders, to see how it could operate here—and I nominate the counties of Essex, Suffolk and Norfolk with their long coastline and seaside towns, large and small, whose economy would get a welcome boost while at the same time providing much-needed holidays for so many of the nation's children who do not experience even a day trip to the seaside. From Hunstanton in north Norfolk to Southend in Essex, taking in such wonderful destinations as Cromer and Great Yarmouth, Felixstowe, Clacton and Walton, the East Anglian coastal towns would get a fantastic boost through the economic tourism that I propose today. The hon. Member for Great Yarmouth (Brandon Lewis) told me only yesterday that he is doing research into economic tourism for his constituency, so I hope that the coalition Government will take forward what we are both seeking to achieve.

Linked with this, I draw the House's attention to early-day motion 982 tabled last week by my hon. Friend the Member for Torbay (Mr Sanders), which is headed "Impact of Spending Cuts on Seaside Resort Economies". Clearly any reduction in the spending capacity of already low-income families is likely to increase the number of children who will not have a holiday in future years. The motion calls on the Government

"to review urgently the impact of welfare reforms on coastal economies, and seaside resorts in particular, so that such areas do not suffer disproportionately from public spending cuts."

In blunt economic terms, social tourism delivers economic benefits as well as huge benefits to disadvantaged and low-income families, not just children but parents, and to senior citizens with little disposable income. It seems that in many other parts of Europe, social tourism is intuitively understood to deliver benefits to individuals and families that makes it a very cost-effective prescription for improved health and family strength. There is also a clear understanding of the huge economic benefits that can follow if those people not currently able to participate in tourism can be supported to do so.

The European Economic and Social Committee, in its 2006 report "Social Tourism in Europe—The Barcelona Declaration", dubbed social tourism

"a miracle in that all the practitioners and users obtain all kinds of benefits: economic, social, health, employment, European citizenship...no one is harmed by this activity...and the bottom line is that it would be difficult to find a human economic activity that is so universally recognised and supported".

Following the Lisbon treaty, the European Commission has taken an ever-greater interest in tourism and has recently established the €3 million Calypso programme to promote social tourism and the social and economic benefits it can deliver. Some 21 EU and candidate countries have signed up to the programme. I report with profound regret that, according to the Family Holiday Association, the UK has yet to express an interest. As a result of today's debate, I hope that this omission will be corrected, and our coalition Government will take seriously the importance of introducing measures— established in other countries and with a proven track record of success—to assist low-income British families and disadvantaged pensioners to have holidays.

Whatever our views on Europe, we need to pay attention to what is happening there. Spain has recently launched a scheme—Europe Senior Tourism—that has started to attract senior tourists to Spain on heavily discounted and state-subsidised low-season breaks. In its first season, some 40,000 people from elsewhere in Europe arrived in Spain to enjoy a break in which the Spanish had contributed €100 to the cost of each person's holiday. When one considers the profit for the Spanish tourism economy, and the way in which its domestic IMSERSO scheme has developed, this scheme can be

[Bob Russell]

expected to grow substantially. My understanding is that the French ANCV is developing a similar scheme to attract EU visitors to France. Of course, only the hardened cynic would refuse to accept that this was all being done to promote anything other than European citizenship. I cannot imagine that already hard-pressed Blackpool and Great Yarmouth landladies, or their counterparts struggling to make a living on the sunshine Essex coast, will relish the thought of their low-season customers being attracted by heavily subsidised breaks to the continent when their Government do not seem to know what social tourism is.

People in Britain value their holidays as much as our European cousins, but the concept of social tourism has never been picked up by the British Government. Amazingly, I have been told about a report published in 1976 called "Holidays: the social need", which was jointly sponsored by the English Tourist Board and the Trades Union Congress. Authored by the Social Tourism Study Group, it spoke about social tourism and its benefits just as you might expect to hear an exponent of the benefits of holidays speak today. It has been ignored by successive Governments for 34 years. Britain could have been the leaders but, sadly, the concept, in British terms, has lain forgotten and dormant.

Yet, of course, helping disadvantaged people get a break has been done by charities, trade unions and good employers for generations. Charities such as the Family Holiday Association helped some 2,000 families with a UK holiday this year, the trade union Unison has its own holiday park in Croyde Bay in north Devon, and there are good employers such as John Lewis plc, which owns five holiday centres that it runs for the benefit of its employees.

All Governments profess to want to lift people out of poverty by putting more cash in their pockets. With more cash, people would have access to more choices, and one choice that people could make would be to take a holiday, so the argument goes. But that is to imply that a holiday is merely a purchasing choice and to ignore the benefits to individuals, the family and hence to the community that a break can deliver. That argument has been comprehensively undermined by recent research.

Going back to the question in the Lords, Lord Davies indicated in his answer that the Government were sympathetic to social tourism and acknowledged the benefits that it can deliver. He went on to say that the Government even gave £10,000 to Tourism for All, a charity that supports holidays for people with disabilities. But he and his advisers seemed unaware that the long-established Family Fund, a charity fully funded by Government and set up to help families with children affected by long-term disability, spends almost half its £30 million budget providing short holidays for these families.

In this country, we already use the lack of a break away from home as a measure of poverty, we count the numbers of people who cannot afford to enjoy even a day trip and we spend lots of money, both private and public, addressing this issue, albeit in an ad hoc and unrecognised fashion. We need to take the issue of social tourism more seriously. We need to understand the significant benefits that it can deliver both from a social and from an economic point of view. I would have liked social tourism to have featured in the Marmot review, "Fair Society, Healthy Lives", which was published in February. It will be recalled that Professor Sir Michael Marmot, at the invitation of the then Secretary of State for Health, chaired a year-long independent review into health inequalities in England, producing proposals to introduce evidence-based strategies for reducing health inequalities. I believe that he is supportive of the work of the Family Holiday Association.

I strongly believe that the new independent review on poverty and life chances being led by the right hon. Member for Birkenhead (Mr Field) should take note of what can be learned from successful social tourism models elsewhere. I also believe that the domestic tourism industry needs to wake up to what is happening in the rest of Europe and to grasp the opportunities that social tourism can deliver here in the UK. Imagine what a French-type programme could do to support our seaside resorts.

Let me repeat my call to the Government to fund a pilot scheme for the counties of Essex, Suffolk and Norfolk, not just for the seaside towns, but for other tourist destinations inland, of which I nominate Colchester, Britain's oldest recorded town and home of Colchester zoo, as a prime example of how to boost the local economy through economic tourism. With children in mind, I point out that the world's favourite nursery rhyme, "Twinkle, Twinkle, Little Star", was written in Colchester, so that is another reason to promote my home town as a place for children to visit, where they can see the house where the rhyme was written by the Taylor sisters in 1805.

Over the past few years a growing number of organisations have begun to join together to discuss how best to get social tourism on to the political agenda. The Family Holiday Association has led the effort, bringing together organisations as diverse as the Youth Hostel Association and Unison in a social tourism consortium. Social tourism seminars have been held in London and Edinburgh. Scotland, of course, has devolved responsibility for tourism. Joint programmes have been established both among the UK groups and with European partner organisations. Joint presentations have been made to the European Commission directorate-general of enterprise and industry meetings, and a staff member from the Family Holiday Association has been co-opted as a private sector stakeholder of the Commission's Calypso programme.

A few weeks ago, the hon. Member for Banbury (Tony Baldry) hosted a reception at the House on behalf of the Family Holiday Association, at which those attending heard about social tourism and proposals for a cross-party group of MPs and Members of the Lords to establish an all-party group on social tourism. The anticipated all-party group will establish an inquiry into social tourism and aims to publish a report as quickly as is feasible. A wide range of potential witnesses have already indicated a willingness to participate in the inquiry, including representatives from Spain, France, Belgium and the European Commission. It is also expected to have input from local government and various tourist authorities together with members of the social tourism consortium.

I hope that all right hon. and hon. Members had an enjoyable holiday this summer. Millions of our fellow citizens, particularly children, did not. Even in these

difficult economic times, putting that right should not be too much to ask. It would make both economic and social well-being common sense to do so.

2.49 pm

The Parliamentary Under-Secretary of State for Education (Tim Loughton): I congratulate the hon. Member for Colchester (Bob Russell) on securing this debate. I am glad that he did not cancel it, as he said he nearly did, and instead, in his inimitable manner, gave a twinkling delivery at high speed about this important subject. I fear that the *Hansard* reporters might have to revisit his notes on the IMSERSO Spanish scheme, the ANCV in France and assorted other names. He did not miss the opportunity to take us blatantly and unashamedly on a Cook's tour of the east of England, and not least of his own constituency—and why not?—and the sunshine Essex coast; I am sure he would like me to repeat that phrase. The Essex coast is almost as sunshiney as the Sussex coast, where my constituency is based.

This is an important subject, and it is perhaps appropriate, as the hon. Gentleman said, that it falls on Children in Need day. One of my most important duties this morning was judging the cake competition in aid of Children in Need in the Department for Education—and a fearsome competition it was! I thought it safer than the cycling marathon on the ground floor. However, I am glad to say that the most innovative cake was the "cruffin", which is a combination of an apple crumble and a muffin, made by somebody in my private office. But I digress, Madam Deputy Speaker.

The hon. Gentleman is a redoubtable and tireless campaigner on behalf of all children and young people, as well as pensioners, whom he mentioned, and many other specialist categories of people. It is no surprise to me that we are here on a sitting Friday—although not in a packed Chamber, alas—discussing one way to improve those people's lives. I echo his comments about the Family Holiday Association. He is right to praise the excellent work that it does with families who would otherwise be unable to benefit from a holiday, and it deserves our fullest praise and deepest thanks. I am also glad that he mentioned the important Family Fund, which provides much needed breaks for particularly needy families who have children with long-term disabilities. That has proved very effective in the past.

The hon. Gentleman is also right that there is a growing body of research indicating that holidays can greatly benefit families. They allow them time to spend together outside their normal circumstances, relaxing in different places, and they can make for happier and healthier families, as he rightly stated. When holidays are taken in England, as I would always recommend, they provide a boost to local tourism as well—especially in Colchester and Worthing. However, the people who benefit the most from the chance to get away from the trials and tribulations of their daily lives are naturally also those for whom it can be most difficult.

I am fully aware that, in some European countries, such as France and Spain, which he flagged up, family holidays are regarded as a right. Sadly, that is not the Government's view in this country. Many people who are not in poverty choose not to go on holiday for many different reasons, and we would not want to force them to do so. It is surely up to families how they spend their time and money, and at this time when resources are tight and there are many competing priorities for taxpayers' money, it is, I am afraid, unaffordable for the Government to subsidise holidays.

The Joseph Rowntree Foundation's calculations for minimum income standards estimate that the cost of one week's self-catering holiday in the United Kingdom for a family of two adults and two children is about £620, with associated travel costs of about £130. The Family Holiday Association figures from 2004, to which the hon. Gentleman alluded, suggest that each break costs £1,500. However, the Government are determined to focus their limited resources on reducing the deficit, putting public services on a sustainable footing and tackling the underlying causes of poverty, thereby putting everyone's finances back on an even keel, so that families in the future can decide how they want to use their discretionary spending money.

Living in poverty, particularly at a young age, is a deeply distressing experience that can have long-term consequences. We want to end poverty and to do so not by treating the symptoms, but by eliminating the root causes, hence our commitment to the elimination of child poverty in particular. It is because nothing is more important than overcoming barriers to social mobility that we are investing more in getting early-years education right, for example. We recently announced that the entitlement to 15 hours per week of free education that the Government introduced for all three and four-year-olds will be extended to disadvantaged two-year-olds. We have also protected funding for Sure Start children's centres and will refocus them on their original purposes, so that families who most need support get it.

It is because we are committed to improving education for the poorest families, so that they can go on to get the good job to which they have always aspired, that we are radically reforming education, including through the introduction of a new pupil premium that will attach extra money to the poorest pupils. It is because we believe that work is the best possible route out of poverty that we are introducing reforms to the welfare system to ensure that those who can work do so, while those who cannot receive the support that they need. We think that the right approach is to give families the power and resources to be able to take advantage of some of the things that the hon. Gentleman rightly flagged up.

With a good education and a job comes choice, and it will then be for families to decide whether they go on holiday and what sort of holiday they may want to take. But such is our determination to tackle poverty and inequality that we have asked Alan Milburn to assist us in our work to reinvigorate the social mobility agenda so that deprivation is not destiny.

Bob Russell: Will the Minister ask Mr Milburn to look at how the French and Spanish Governments in particular regard their holiday schemes? Not only do they benefit the children of low-income families, but they boost the economy of seaside resorts and other locations in those countries. They generate income.

Tim Loughton: I heard the hon. Gentleman's point about a double benefit. Social tourism is good for families who need a break, and for the industry and the resorts where they choose to go. I encourage the hon. Gentleman to forward his comments—the *Hansard*

[Tim Loughton]

report of today's debate—to Alan Milburn so that he can take them into consideration. I am happy to support him in doing that.

In addition to the work that we have asked Alan Milburn to do, the right hon. Member for Birkenhead (Mr Field) is leading a review of poverty and life chances. Again, the hon. Gentleman's comments are relevant to that review, and I encourage him to send further details to the right hon. Gentleman. The hon. Member for Nottingham North (Mr Allen) was also enjoying the cakes in the Department for Education when I was having a conversation with him this morning. He is leading a separate review into how we can support local councils in early intervention because, as we all know, prevention is always better than cure. All that is relevant to what the hon. Member for Colchester alluded to this afternoon.

We announced as part of the spending review that we will bring together funding for services for the most vulnerable children, young people and families through a new early intervention grant, which will be worth around £2 billion a year at the end of the comprehensive spending review period. It will allow local councils to decide how they can best deliver their local priorities. Again, that may focus on leisure opportunities for deprived families.

We fully support the Family Holiday Association, and all organisations that provide support to families who cannot otherwise afford holidays. Their work is admirable, and improves the quality of life of thousands of families every year. We cannot promise large sums of financial assistance to support them at this stage, but I hope that they will continue their work.

I again thank the hon. Gentleman for raising this matter in the House this afternoon.

Question put and agreed to.

2.58 pm

House adjourned.

Westminster Hall

Tuesday 9 November 2010

[MR DAVID CRAUSBY *in the Chair*]

Vulnerable People (CSR)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Newmark.)*

9.30 am

Andrew George (St Ives) (LD): It is a great pleasure to speak under your chairmanship, Mr Crausby. I am particularly pleased to have secured an opportunity to debate the effects of the comprehensive spending review on vulnerable people.

Some of the issues that I raise may well be raised in the more specific debate on housing benefit in the main Chamber this afternoon. For the purpose of this debate, I want to define the terms to which I have referred. The debate is, in effect, about the impact on vulnerable people of not just the CSR, but the Budget and the various departmental announcements that have been made and which underpin the context in which the CSR was announced on 20 October.

By "vulnerable people", I mean not just those in need of specific state support who are unable, through a learning disability or other forms of disability, to manage alone, but those who may become vulnerable or find themselves in significant need, housing stress, homelessness, hardship or debt. The effects to which I refer cover a wide range of policy areas. Of course, I do not intend to cover all areas of government, although vulnerable people are likely to be affected by a wide range of policies, but I am keen to cover access to housing and housing benefit; welfare, including the support and benefits for unemployed and disabled people; care for adults and children; and public transport and access to it.

By way of background, it is worth noting that no self-respecting political party would have undertaken, in the lead-up to the last general election, the kind of measures that have been proposed since, because of how our political system works. However, we all knew as we went into the general election that Britain had the largest deficit in peacetime history, the largest structural deficit in Europe, that £120 million a day was needed to service the interest on that debt and that £1 in every £4 that the Government spent was borrowed money. We entirely understand the need to put right the public finances, which is the background to this debate and the CSR.

I would like to acknowledge a number of achievements. From the Liberal Democrat Benches, it is worth acknowledging that, despite the rather austere circumstances, we have secured outcomes from coalition agreements of which I believe the coalition can be proud. I am referring to the policies of taking the lowest earners out of tax altogether, which I know will be ratcheted up over the coming years until the figure is £10,000 before tax applies; restoring the earnings link for pensioners and a guarantee of uprating with a triple lock; the pupil premium and the early years premium, particularly for vulnerable children; the pay protection for low-paid public sector workers; capital gains tax for top earners; and the banking levy to help to pay for many of these measures. I was also pleased to hear of the Treasury's intention to make a concerted effort to tackle tax evasion and fraud, which is essential to ensure that we get the balance right in where the finances are found.

Also by way of background, it is worth acknowledging that the Chancellor of the Exchequer repeated a theme throughout the CSR statement on 20 October—one that I entirely applaud. For example, he said at column 951 that

"those with the broadest shoulders will bear the greatest burden".

Equally, he said at column 956:

"A civilised country... protects the most vulnerable".—[*Official Report*, 20 October 2010; Vol. 516, c. 951-56.]

Protecting vulnerable people was a theme repeated throughout the statement, and I loudly applaud both those objectives.

The purpose of this debate is to ask whether that laudable and agreeable objective is achieved by the combined efforts of Government policy. If not, will the Government review their policies and make the necessary adjustments to ensure that those with the broadest shoulders do bear the greatest burden and that the vulnerable genuinely are protected? I doubt that, in the tribal warfare that often masquerades as debate in the House, we will do anything other than divide on pre-determined lines on the assessment behind those questions, but we can call on other commentators to contribute to the debate.

As we know, the Institute for Fiscal Studies disagreed with the Treasury's claim. I am pleased to see the Minister in her place and I look forward to her response to the debate. I am sure that she will respond to the IFS assessment of the combined impacts of the CSR and the Budget. The IFS disagreed that the overall package of tax and benefit changes was progressive. Carl Emmerson, acting director of the IFS, said that

"our analysis continues to show that, with the notable exception of the richest 2%, the tax and benefit components of the fiscal consolidation are, overall, being implemented in a regressive way."

The IFS emphasised the problems involved in estimating the distributional effect of changes in public services. It welcomed the Treasury's attempts to model those, but noted its finding that the public service spending cuts announced in the spending review were regressive.

Equally, the *Financial Times* described the spending review as

"a gamble given the continuing weakness of the recovery",

but supported the decision to cut spending, provided that growth in the economy returns. *The Times* said that, broadly speaking, the priorities chosen by the Chancellor were correct but that the changes could be "very painful" for the poor. *The Guardian* also commented that the spending review was "a major gamble"—I shall return to that concept—at a time when economic conditions have deteriorated. It said that, furthermore, the cuts would be focused on the sick, the poor and working parents. The IFS commented that the cuts in overall public spending over the spending review period would be the deepest in real terms since the second world war and that cuts in spending on services would be the largest since the four years beginning in 1975.

[Andrew George]

As I said, housing benefit measures will be debated this afternoon in the main Chamber. Two primary changes are being made next year. The first is the capping of local housing allowance for each property, which will be implemented in April 2011. That has been a primary focus of political debate and comment in the House and elsewhere, although it will impinge on a relatively small number of properties and households. For example, just 139, all in London, receive in excess of £50,000 per annum; 11,233 are in receipt of more than £20,000 per annum, some 10,000 of which are in the London area. In Cornwall, which, as hon. Members might expect, I will discuss in a moment, 40 households are in that category. The measure would save £65 million.

What concerns me most particularly is the impact on rural areas such as Cornwall—but not just Cornwall. A focus of my comments will be the reduction in the percentile market rates used to calculate local housing allowance rates from the 50th percentile—the median—to the 30th percentile of local rents, which will be implemented in October next year. The Department for Work and Pensions estimates that that will secure annual savings of £425 million.

The nature of the debate in the media gives the impression that housing benefit is paid mainly to people who are unemployed. Because of the "tabloidisation" of the debate, the implication is that the work-shy are in receipt of housing benefit and need to be encouraged by stick rather than carrot to find work. In fact, only one housing benefit claimant in eight is unemployed. I should add that, in future, the effect of the uprating of housing benefit according to the consumer prices index rather than local rents will place further significant downward pressure on housing benefit and may well result in shortfalls between rent and the housing allowance that people are given.

The Secretary of State has made it clear that the intention of the Department is to use housing benefit to force rents down, and I can understand the logic behind that, which is that housing benefit, because of the sheer volume of those who receive it, has an inflationary impact on the rental market, particularly the private rented market. However, not all areas will necessarily respond uniformly. The changes may well work in some rental market areas, but I am not convinced that they will work in them all.

For example, according to figures published in *The Guardian* on 30 October, outside London, Cornwall will be the hardest hit by the changes. Indeed, 11,180 households —one third of all households with employed people in receipt of the benefit—will be affected. There will be a significant shortfall between their housing benefit and the rent that they will pay.

In Cornwall, there is a significant shortfall right now between the median rent as assessed previously by the rent office—now by the Valuation Office Agency—and what housing benefit should be in Cornwall, and therefore between the housing allowance that will be available to tenants and what is available in the market on a week-by-week basis. It is very rare indeed that a new property comes on to the market that is actually within—either on or below—the median rent as assessed by the valuation office. Most rents fall above it, and therefore the shortfall has to be made up by the tenant, who may be on a low income or on benefits.

In Cornwall, 57,109 people claim housing benefit; 12,972 are of working age but not working—they include those in receipt of income support or jobseeker's allowance—and about 12,000 are of working age and are working, or are on a non-passported benefit or employment support allowance, previously incapacity benefit, or contribution-based jobseeker's allowance. A similar picture is painted by one of the larger social landlords. Penwith Housing Association tells me that about 60% of its tenants are on housing benefit. More than half of those who are of working age are indeed working, and are in receipt of either partial or full housing benefit support to cover their rent.

Yesterday, Cornwall council published some information on the likely impacts on the local community of the various changes to housing benefit. Its assessment is that the reduction of the market rental from the 50th percentile—the median—to the 30th percentile is likely to have the biggest impact. It says that 10,500 households are experiencing a shortfall between housing benefit and the rental, and it is unknown what the likely impact will be on them.

The council has not yet made a calculation, but it believes that a larger number of households will experience a significant shortfall between the rent and the housing benefit available. It anticipates that tenants who will ultimately be evicted because they can no longer meet their rent payments as a result of the shortfall will be found to be intentionally homeless, according to statutory interpretations, and therefore not eligible for assistance from the local authority. There will be an increase in demand for social housing in some areas, and the impacts on local people will be significant indeed.

We are very lucky in Cornwall to have the Cornwall Residential Landlords Association, which is a responsible and well-organised band of private landlords who, collectively and individually, provide an excellent service to the local population. They look for clear signals from the Government. I believe that the Government are looking at increasing the availability of direct payments to landlords in certain circumstances. Where that is done, preferably on a voluntary basis with the agreement of the tenant, it may help to lever rents down because the landlord will have a cushion of reassurance that the payments will come to them. However, the pressures and difficulties that will be experienced between landlords and tenants will intensify as a result of the cuts.

The problem in a market such as Cornwall's—this applies to many other areas where there is also a vibrant tourism economy—is that landlords have alternatives that, frankly, on many occasions, will give them a far better income and greater certainty that they can recover the property. Many take up those alternatives. Many landlords will leave the marketplace and go for the much easier option of gleaning their income from the tourism sector.

The situation in Cornwall is not quite like the urban or suburban situation that I believe the Government have envisaged, whereby the alteration in the housing benefit arrangements and assessments will result in a levering down—a crow-barring—of the rentals in the private rented sector. It is not anticipated that that will

happen in a place such as Cornwall, so I hope that the Government will look overall at this measure and consider that having a roof over one's head is absolutely vital for many families. We are talking about working families who are simply seeking security in life from which to get to work, school their children and establish some kind of family security. This is about penalising people not because they are unwilling to work but simply because they are poorly paid, and I am sure the Government have no intention of doing that. I think they would like to ensure that work does pay.

Looking at the situation in Cornwall, which is, I understand, the same as in North Norfolk and other such rural settings, most analysts consider that there will be few new properties coming on to the market in the 30th percentile or below. Opportunities will be restricted, landlords will be given other options, and there will be instability, overcrowding and a possible cutting of corners, with families having to move and working families under greater stress. The problem with the proposal in the housing benefit reforms to extend the single room rent to people under the age of 35 is that there is little of that type of accommodation available in many rural areas, and planning policies seek to restrict what is often referred to as "bedsit land" in some smaller towns. On the one hand we have the Government, through their planning policies, giving local authorities the right to restrict the extent to which parts of small market towns are, as they see it, ghettoised by these bedsit arrangements, and on the other hand they have a policy that seeks to encourage that, through the housing benefit system.

Annette Brooke (Mid Dorset and North Poole) (LD): Does my hon. Friend share my concern that when there has been a partnership break-up, the option of only a single room allowance up to the age of 35 might prevent good quality contact with children?

Andrew George: My hon. Friend makes a very good point about one of the great difficulties that occur when there is family break-up. I fear that as a result of these kinds of measures we might get more family break-ups, because of the stress and pressure under which families might be placed. In our constituency surgeries, we all see families in that very sad situation. We see single parents "without care", as they are sometimes rather unfairly described, who find themselves wanting to have contact with their child or children but being unable to do so because of their very constrained circumstances. This policy will only make that situation worse.

Mr Andrew Turner (Isle of Wight) (Con): I wonder whether the hon. Gentleman could look at levels of pay. In Cornwall, and similarly on the Isle of Wight, there is a higher level of pay in the summer and a lower level in the winter. Is that catered for in his understanding?

Andrew George: Other than with people who live in uncertain accommodation—winter lets during the winter and very uncertain accommodation in the summer—I am not aware of any circumstance in which people have variations in their rents, with a landlord varying the rate of rent on the basis of the tenant's income. My hon. Friend makes a very good point. I am afraid that the system does not allow or cater at all for seasonality in working families' employment and income.

A further incongruous circumstance is the potential conflict between this policy and what the Minister's colleagues in the Department for Communities and Local Government appear to be doing regarding the registered social landlord sector. The intention is to allow, and even encourage, registered social landlords to increase the rent on their properties up to a notional 80% of the market rate for a particular location. The net effect of that—it will apply, I understand, to future new dwellings and to re-lets—is to create a rather strange circumstance: on the one hand the Government appearing to want to get the housing benefit bill down, but on the other hand one of their Departments appearing to ratchet it up. Of course, a large proportion of people in social rented accommodation—60% of those living in the accommodation of one of my RSLs—are in receipt of housing benefit, and ratcheting up the benefit in those properties would result in an increase in the housing benefit bill.

There will be other strange circumstances. People who seek to downsize their properties—for example, an older person living alone who wants to move into a single-person bungalow to release a family house for a local family—will be discouraged from doing so because the re-letting situation will mean that their rent could go up significantly if they were to pursue that otherwise relatively selfless act. By pursuing a re-let—a transfer—their rental might go up and their housing benefit might not cover it.

Because of the time, I shall quickly canter through a few other issues. First, on the wider issues of welfare reform, many of us will have read in the newspapers and heard in the media over the weekend the comments of the Archbishop of Canterbury, the Chartered Institute of Housing, the National Housing Federation, the Child Poverty Action Group and Action for Children, all warning about the unintended consequences. I certainly exonerate the Minister and her colleagues from wishing to pursue an intentional policy of impoverishing vulnerable people; I think that it is entirely unintended.

Julian Smith (Skipton and Ripon) (Con): I am sure that the hon. Gentleman is coming to this point, but will he talk a little about the impact on vulnerable people now and in the future of not dealing with the deficit? Will he also refer to the positive measures in the Budget for businesses in his constituency? There is the scrapping of the jobs tax, the national insurance holiday, tens of thousands taken out of tax altogether, the pupil premium and other initiatives. Surely, in any speech on this subject, all those factors have to be taken into account.

Andrew George: I am grateful for that intervention; I am sorry that the hon. Gentleman arrived late and therefore missed the part of my speech when I congratulated the Government on precisely those measures.

Clearly, we need to deal with the deficit, but the question of the speed and the extent is a debating point. I am not necessarily saying that the current speed and extent are wrong, but that judgment needs to be kept under review. Also, where do we find the money from? The hon. Member for Skipton and Ripon (Julian Smith) talked about the point that I am coming to; I will certainly come to a conclusion, which is that we need to question whether we have the balance right, so that

[Andrew George]

those with the broadest shoulders bear the greatest burden. I am not certain we do have it right, which is why we should be taking a measured judgment on the impact of the proposals across all income ranges.

All the groups I mentioned, and many others, have been warning about the unintended consequences of some of the welfare reforms. The Chartered Institute of Housing anticipates that by 2025 most two-bedroom properties in the south will be unaffordable to those claiming housing benefit, whether or not they are working. That will force people into areas with less employment—in other words, an unintended consequence, not making work pay by forcing people into areas where they will find it much more difficult to get a job. It will also steepen the tapers, for example, by increasing the rents on social rented accommodation. As we all know, if someone takes a job or accepts higher pay, housing benefit is often withdrawn at a rate of sometimes 80p in the pound earned, and that is on top of other benefits that may be lost, such as council tax benefit. That places people in a poverty trap that discourages them from taking the very work they are keen to take up. All those factors will lead to social impacts on stability, family security, children's education and other matters.

Other sanctions are proposed that have been mooted in the press over the weekend and will no doubt be part of the Secretary of State's statement on Thursday. We have been presented with the prospect of unemployed people wearing tabards, picking up litter from our streets as a result of some kind of compulsion. Having worked in the voluntary sector, among others, for a while before coming to Parliament, I know that the one thing we do not need is to apply compulsion or humiliation to this matter.

It is clear that the many people I speak to in my constituency who are seeking a job are extremely keen to secure not only a job but work experience. The Government's proposal to set up voluntary arrangements that enable people to undertake worthwhile voluntary work in their communities can only be a good thing. Unemployed people want well organised work and voluntary opportunities, and the voluntary sector want the willing, not the unwilling. At the weekend, the Disability Alliance argued that many people will be pushed into poverty by the changes to the employment and support allowance, previously called incapacity benefit. We await the outcome of that proposed change on Thursday.

Within the care sector, pressure on local authority budgets—26% cuts over three years—means that councils are routinely removing the discretion to give care support to those in moderate need. As costs, and no doubt charges, go up, the definition of "higher" and "severe" need could become more stringent. Budget pressures are likely to reduce early intervention for children, as Action for Children identified over the weekend, and the services available to the most vulnerable. There is a 20% cut in the bus operators' grant and local authorities are already looking at cutting some services. The young and the old will be most affected by that—those without a car, and, therefore, the most vulnerable. Other cuts, such as in the education maintenance allowance, will also affect young people.

The questions remain: will those with the broadest shoulders bear the greatest burden, and will the vulnerable be protected? It is important not to forget that the gambling of the rich busted the banks, which did most to drop us in this situation. We must not allow them to get away with that while the poorest and public servants are made to pay the price; that is hardly justice. On the question of measures to get the balance right between cuts in services and benefits, and of where to obtain resources to maintain services, the banking levy, although welcome, is a relatively infinitesimal gnat bite on the banking sector, given the rate at which it is set.

Julian Smith: I am glad my hon. Friend has spoken about the banking levy, because the previous Government did not do that, and I presume he will give credit to the coalition for taking aggressive action on the banks, and for the three reviews on banking reform taking place over the coming year.

Andrew George: I again remind the hon. Gentleman that, had he been here earlier, he would have heard me mention that. I welcome the banking levy and have congratulated the coalition on it; it is a move in the right direction. However I fear that some of the most vulnerable in society may be pushed further to the margins, and we need to keep that situation under review. Equally, we need to keep under review the question of whether the banking levy has been set at a level that retrieves from the banks the resources that we believe they should be putting back into the economy, having dropped us "in it" in the first place.

The Minister is an excellent Minister and I know she is listening to these concerns. I fear that the reforms, although well intentioned, may well miss the target: they may not necessarily push rents down in the way anticipated or protect the vulnerable, and they may fail to meet the Chancellor's stated objective as given in his 20 October statement. A strong and self-confident Government can listen, reconsider, gracefully accept the situation, adjust and move on when things are not going quite according to their plan. In her winding-up speech, I hope the Minister will address those issues and reassure me that the Government are listening to these concerns.

10.8 am

Chris Leslie (Nottingham East) (Lab/Co-op): As ever, Mr Crausby, it is a pleasure to take part in a debate with you in the Chair.

I congratulate the hon. Member for St Ives (Andrew George) on raising this important strand of an exceptionally complex set of announcements, which have come thick and fast from the Government and are only now beginning to reveal themselves to MPs, never mind to the wider public, as the implications begin to hit home. A lot of implications will not hit home until the next financial year and then into the next few years of this Parliament, at which point I would expect growing discontent and increased shock and surprise at how harsh the Government chose to be on the most vulnerable in society through their spending policies.

The hon. Member for St Ives is being exceptionally honourable in this matter, and he genuinely feels strongly about trying to speak up on behalf of vulnerable people, but when he says that certain consequences of the

Government measures are "perhaps unintentional", I suspect that he is being more than generous. Part and parcel of the political strategy that goes alongside the Government's supposed economic approach is ensuring that the welfare changes and reductions in expenditure hit the poorest in society who, on balance, tend not to vote for the Conservative party.

The hon. Gentleman will have greater insight than me into the Liberal Democrats' approach, although I suspect that even he might not know what is going on with those at senior levels, as they assimilate ever more closely with the leadership of the Conservative party. I still regret the choice that his colleagues made to prop up and provide the scaffolding for this harshly strategic and deliberate set of decisions. Those in the Conservative party have been planning such decisions for many years, and attempts to scale back the role of public investment in our economy have been part and parcel of their approach throughout. They are now able to unwind that approach with a certain degree of alacrity under the guise of deficit reduction.

Annette Brooke: I hesitate to interrupt the hon. Gentleman's flow, but does he agree that much-needed welfare reform should be tackled? There might be questions about how to tackle it, but does he agree with the general principle?

Chris Leslie: Nobody disagrees that we need a level of welfare reform, but the question of how we do that is at the centre of the debate. We could shut down the Department for Work and Pensions tomorrow and not spend an extra penny. That would be a degree of welfare reform, but it would be so ridiculous that it would be off this planet. We could have a level of reform that was too slow and did not really bite. I believe that the trajectory of reforms pursued by the previous Administration sought to strike a fair balance.

The extent to which Ministers are reducing what is known as "annually managed expenditure" within the welfare budget has been designed around a political strategy. By taking that amount from the welfare budget, the Chancellor tried to come within spitting distance, as he saw it, of Labour's plans for deficit reduction within the departmental expenditure limits. That political strategy rapidly fell apart, particularly because the Opposition accepted the need for a certain level of welfare change.

Let us look at the points raised by the hon. Member for St Ives. If the welfare changes are not handled sensitively and their implementation is blind to the human costs involved, some of them will affect the real lives of real people. Such people will be increasingly frightened and unable to cope with some of the changes, and that will create great harm. That harm might not have the quantifiable economic or econometric measurements that we traditionally look at when monitoring fiscal and monitory policy, but it is real and will have an indirect effect on our economy.

Andrew George: I am following the hon. Gentleman's narrative, but before he strays too far from his point about the intentionality—or otherwise—of the possible consequences of the reform package, let me make it clear that I do not associate myself with his analysis. I do not believe that it is the intention of the Government or the Minister to impoverish people deliberately.

The point that I was building towards concerns the balance of risk. Taking a risk with the poor needs to be balanced by taking a risk with the banking sector, which I do not think that we are doing at the moment. If we are to probe policy so as to get the balance right between those with broad shoulders and more vulnerable people, we must put pressure on the top end just as much, if not more.

Chris Leslie: As I said, the hon. Gentleman is being more than fair—perhaps a little too fair—in his analysis of the Government's intentions. I hope that I am wrong in saying that a measure of deliberate choice is involved. However, the weekends at Chequers during which the Deputy Prime Minister and the Prime Minister pored over the political stratagems that they could devise, having linked some of the measures in the spending review together, suggest that a balancing act was going on in the Government to think about who they could hit and get away with it, rather than the human consequences. That is a difference of opinion that we will have to accept.

Julian Smith *rose—*

Chris Leslie: I would like to make progress on the issue of housing benefit, but I happily give way to the hon. Gentleman.

Julian Smith: The comments that the hon. Gentleman made just now and at the beginning of his speech are insulting to Ministers and, certainly, to Back-Bench coalition Members.

Chris Leslie: I am sorry if I have hurt the hon. Gentleman's feelings; that would be a dreadful thing to do. However, it is far worse to hit the poorest and most vulnerable people in society through the measures that he will support by walking through the Lobby. The warm words that he espouses are all very well, although so far he has not said much about vulnerability and the impact of the reforms. He is doing his job and wants to progress through his party—I wish him luck with that—but the measures that he will be supporting will be harmful, and I am sorry if he feels that that is insulting.

Let us look at some of the changes to housing benefit. As I said, housing benefit needs to be reformed, but not necessarily at the pace and with the harshness espoused by the Minister. Some of the combined, compounding changes will come in quickly, with some starting on 1 October next year. According to the Government's own figures, the reduction from the median 50th percentile to the 30th percentile for housing benefit will affect 642,000 people. Many hon. Members, including the Minister, will be getting letters from their constituents about that. Those reforms will leave some people £39 worse off per calendar month. Some landlords might be happy to say, "That's all right; we will bear the loss", but others will say, "Sorry, that is unacceptable. Out you go." What will be the consequences for homelessness? What will the pressures be on the indebtedness of individuals who are already stretched with credit card debts and so on? Will we see even greater pain at that level?

The National Housing Federation said in the newspapers today that the reforms were "brutal cutbacks." Those are not my words, so if the hon. Member for Skipton and Ripon (Julian Smith) feels that such words are

[Chris Leslie]

insulting, he should speak to the National Housing Federation. It said that the reforms risk the prospect of people

"falling into debt or hardship or being forced to move out of their home and away from their local community."

That sudden drop in income and the rushed nature of reform are what the Labour party fundamentally disagrees with. Of course we accept that the deficit needs to be tackled, but we take a different view of how to do that.

The Economic Secretary to the Treasury (Justine Greening): You do not know how to do it.

Chris Leslie: We have a set of strategies, but we do not have the phalanx of Treasury officials lined up behind the Minister.

Justine Greening: Perhaps the hon. Gentleman will outline three or four specific measures that his party would propose to tackle the deficit.

Chris Leslie: Given that we are talking about vulnerability, let us look at the impact of the spending review. The hon. Member for St Ives mentioned the banking levy but, as we debated last night, that is a puny and pathetic attempt by Ministers to let the banks off the hook while they are hitting families and children hardest of all—*[Interruption.]* I am sorry that Minister does not like my example, but she has made a choice and we would do things differently. It is important that the record shows that the Government have decided to let the banks off the hook lightly.

The Minister may well bleat and moan, but she should realise, for example, that cutting mortgage interest support for the most vulnerable will, as the Archbishop of Canterbury said, help to create a cycle of despair for many people. I do not think that the archbishop is a particularly partisan individual, and it would be a great pity if the remarks of those in civil society were dismissed.

I am interested in the Government's approach to the universal credit, which they are looking to put in place as part of welfare reform. In many respects, it is a reasonable concept. However, I cannot understand why their approach is then to cut council tax benefit by 10% and to localise it, as has been announced. How is that consistent with the universal credit policy? Will the Minister elaborate on how the universal credit arrangement will come into place for the most vulnerable people when the council tax benefit is not part of it? I would like to understand the consistency, because that change will hit the poorest in society, as will many of the disability welfare changes.

We accept that disability welfare reforms are needed but, again, we must at least ask questions about the pace and harshness of some of those changes—as the hon. Member for St Ives has done. Taking out £2 billion by limiting the contributory employment and support allowance to the very disabled raises questions about how those who no longer have such support will cope. It is incumbent on those who are proposing the cut to explain where the support for those individuals will come from. Even pensioners will feel the impact of many of the changes, and they will lose out because of the four-year freeze in the savings credit element of the pension credit.

Public service reductions will have an indirect effect. This debate is not just about welfare, because the public service reductions announced in the spending review will also have a disproportionate impact on the very poorest in society. As the Institute for Fiscal Studies has said,

"modellable cuts to public services are regressive".

There will also be a cut in health service spending. If we take away the social services element—it is being redefined as NHS spending, which it was not previously—and look at core NHS spending, it will fall by 0.5%. The IFS described that as the "worst settlement since 1951". Again, those people using the health service are the most vulnerable and they will bear the brunt.

There will be local government reductions, in particular for support to the voluntary sector. For example, several welfare advice centres in my constituency will no longer be able to offer help and support to the very poorest in society because of the implementation of legal aid cuts. People will be left to fend for themselves, with far less advice—*[Interruption.]* The Minister is chuntering away, but she will get her opportunity to speak in a moment. I hope that she can give those people an explanation of the deficit reduction choices that she is making that deliberately addresses the speed of her measures. I understand that everyone in the House wants to ensure that deficit reduction is carried out sensitively, but I cannot quite understand the voracious speed at which the Minister thinks she has to do that. Her approach seems punitive and potentially risky.

There are education changes, too, and we have also talked about policing and crime. Those who tend to need the support of the policing services are those who are the victims of crime, and most of all the poorest and most vulnerable in society. The list goes on: reductions in the working neighbourhoods fund; no more future jobs fund; and, again, some of the welfare advice changes. Those things give rise to more worries and concerns.

The IFS was right to point out the regressive nature of the Budget. All the spin and warm words that the Minister will no doubt parrot again have been unravelled by the objective and independent analysis carried out by the institute, which the Conservatives were more than happy to cite in times past, but now seem keen to rubbish. The IFS says that the cuts are the

"deepest since the second world war".

The Government have decided to hit families with children hardest, with the health in pregnancy grant going, the taxing and freezing of child benefit, the cuts to child care help through the working tax credit, and the scrapping of the education maintenance allowance. It is not necessarily those individual changes, but the compounding effect of them all happening simultaneously, with the speed of implementation chosen by the Minister, that makes them hit the most vulnerable very hard.

It was right that the hon. Member for St Ives raised the question of whether those with the broadest shoulders are bearing the greatest burden. The Chancellor keeps saying, "We're all in this together," but that is completely unbelievable and palpably not the case.

The puny nature of the banking levy is such that even the International Monetary Fund has said that it is a third of the size that it suggested. The banks will enjoy the corporation tax cuts, as well as their deferred tax benefits. There is also, of course, complete inaction by

the Government on banker bonuses, which will be revealed when the bonus season starts in January or February.

All in all, the set of changes is exceptionally regressive and will hit the most vulnerable in society most of all. Perhaps the saddest fact is that many of those who will be affected do not yet realise it. The changes have not necessarily been reported in detail. People might well be completely oblivious to the changes that are coming but, for example, when the housing benefit change comes in on 1 October next year, they will be faced with great difficulties.

I have urged my local authority in Nottingham to find a way of communicating with recipients of housing benefit so that they can prepare themselves for the changes that are coming. Will the Minister at the very least—even if we disagree about the speed and nature of the policies—tell hon. Members how the Government intend to communicate with people and give them a bit of a heads-up so that they can prepare themselves for some of the changes? With a little preparation, the poorest in society might be able to try their best to brace themselves for what is around the corner.

I have set out my genuine concerns. There are political differences between us, but the story is a sad one that will unravel further in the years to come.

10.27 am

The Economic Secretary to the Treasury (Justine Greening): It is a pleasure, Mr Crausby, to serve under your chairmanship of this important Westminster Hall debate. I congratulate the hon. Member for St Ives (Andrew George) and pay tribute to him for securing the debate. I remember that during the spending review debate and the emergency Budget debate held earlier this year, his presence in the Chamber was constant, which shows his commitment to and concern about the issues—he is right to point out that we should all be deeply concerned about them. I shall start by setting out the background to some of the measures, and then talk in more detail about the housing benefit measures the hon. Gentleman mentioned in particular.

I listened to the response from the hon. Member for Nottingham East (Chris Leslie). He clearly holds a different view, but I found his speech deeply irresponsible in many ways. As an incoming coalition Government, we have picked up a fiscal deficit without precedent not just in our own country, but across the developed economies of the world. His party handed over that deficit, which we and the Liberal Democrats are working to address.

Certainly, the situation we took over was grave. The hon. Member for Nottingham East talked about the speed with which we are tackling the deficit, but that very much underscores just what a serious position our country was in when we came into government earlier this year. In fact, had we not taken the steps we are taking over the coming years, our debt would be £100 billion higher and we would be spending some £5 billion more as a nation on debt interest—money we want to put into supporting our public services. Had we not taken those steps, there would have been the real risk of being unable to have as a good a chance as we now do of keeping interest rates low, which is critical for companies investing and creating jobs and for households across the country with a mortgage.

Clearly, therefore, we needed to take action. One of the key pledges that we made as part of the spending review was that fairness would be at the heart of our decision making. The hon. Member for St Ives was right to say that despite the challenging backdrop against which the emergency Budget and the spending review took place, they included important measures such as increasing the personal allowance, which saw 880,000 people taken out of income tax altogether. Interestingly, he also mentioned that the Government's aspiration was to go further on that, which is important. The distributional analysis and the IFS modelling do not take those aspirations into account, because we have not yet announced how we will carry them forward. Nor do they take into account the benefits of the universal credit or the stimulus and support that it will provide to people who are getting back into work. It is important to bear that in mind.

As I said, one of our key pledges in the spending review related to fairness. By fairness, I mean that, across the entire deficit-reduction plan, those with the broadest shoulders should bear the greatest burden. There has been a lot of debate about the IFS, and it is interesting that we have published more distributional analysis alongside our comprehensive spending review than any Government have ever done before. There is, of course, a debate about how to do that analysis in a more refined way, and the TUC, for example, took a view in its own analysis about how to spread defence spending across income deciles. Clearly, therefore, there are methodological questions that it is worth while looking at to see how we can improve things. Hon. Members will be aware that Robert Chote, who was the head of the IFS, now heads the Office for Budget Responsibility. He is precisely the kind of person who can help us to have a more transparent, independent assessment of our policy. That will help not only the Government, but people who look at our policy to understand what it means for our country and our communities.

Fairness has underpinned our approach. Critically, we have to move to a welfare system that helps and supports the vulnerable, but does not trap them in the way the system we have taken over too often did. We need a system that supports people back into work, and that is affordable. That is important because my great concern is that we need a system that people across our country buy into. That means that the system must be fair not only to the people in it, who need the support, but to those outside it, who perhaps work and pay their taxes. Those people might be happy to pay into a system to support the most vulnerable, but they might feel that it needs to be fair to them as well as to those who get the benefit payments. They need to feel that the system improves the lives of those who receive benefit payments and gives them the chance to be independent that, for various reasons, they do not have at the moment. I will say a little more shortly about how we can do that.

We have had a test on fairness, and there is no doubt that we have had to make some difficult decisions about how to spend the small amount of money we have following the Labour party's profligacy in government. Today, in its debate on welfare on the Floor of the House, the Labour party will have another chance to set out how it would approach welfare reform. We have heard an awful lot about the fact that there is a better

[Justine Greening]

way of doing things, although we have occasionally heard from Labour Members that they do not oppose all our reforms. However, if we are to have a thoughtful and constructive debate about this important issue, it is time for the Opposition to engage more meaningfully, rather than simply setting out what they are against. They owe that to Parliament, which needs a proper debate from elected representatives, and to our country. They should set out exactly how an alternative, if there is one, would look.

I want now to look at the welfare state in a little more detail. Under the previous Government, benefit bills soared by 45%. In some cases, the benefit bill for a single out-of-work family amounted to the tax bills of 16 working families put together. To return to my earlier comments, everybody would say that that was not just unfair, but unsustainable. Given the financial position that we inherited, protecting the welfare budget was not an option. If we had done that, it would have forced more drastic front-line cuts on services elsewhere, which so many of us, including those on benefits, rely on so much. We therefore tried to focus our support on the people who need it most—the long-term unemployed, the very young, the very old, the disadvantaged and those who, through no fault of their own, are unable to work or find it hard to enter the labour market.

The spending review announced reforms to tackle welfare dependency by delivering a simplified system in which it always pays to work. The hon. Member for St Ives rightly mentioned impoverishment, and at its heart is the fact that people do not have a job. We need a welfare system that supports people back into work, and that applies particularly to people who have been on incapacity benefit and employment and support allowance. In one of my first roles as a new MP in Parliament, I sat on the Work and Pensions Committee, and I clearly remember that one of our first reports looked at incapacity benefit. It was a real scandal that although jobs had been created over the previous decade, the overwhelming majority of those on incapacity benefit were left wanting to work. On Thursday evening, I met visually impaired people in my constituency who were desperate to find work and to be financially independent. Those are the people we are keen to support back into work, but they were languishing on benefits in way that was bad for not just them, but our country and communities. It was also unaffordable.

Andrew George: The Minister is making an extremely important point; in fact, it was one of the many that I made. We need to establish a bridge between dependency and securing work. That applies to the housing benefit system, and I mentioned tapers, or the rate of withdrawal of housing benefit. The previous Government did nothing about the problem, which has been going on for decades. The point also applies to incapacity benefit. There is a cliff-face between benefit dependency and being able to get work. Perhaps the Government need to look a little more at ways of establishing a bridge to help people into work, rather than impoverishing them, putting them at risk or worrying them about making the transition into work.

Justine Greening: The hon. Gentleman raises one of the key flaws that has existed in the welfare system, which is that it has trapped people. Going back to my time on the Work and Pensions Committee, I remember an inquiry that we did into Jobcentre Plus. The then Government had to introduce a better-off test to prove to people that they were better off going into work, because it was so complicated to work out what benefits people were receiving and what they would lose. It was not clear to people that moving into work would be the best thing for them financially.

The hon. Gentleman will be interested to read the White Paper that the Department for Work and Pensions will release in the next few days on the universal credit, which is intended absolutely to make sure that people who are currently on benefits know that they will be better off if they move back into work. We can move away from the situation faced by some of the worst-off people in our country, who have moved into work only to be penalised with some of the highest marginal rates of tax, which are simply eye-watering. We would not dream of putting even the highest earners on such rates, but the marginal rates of tax faced by some of the lowest-income people have been huge, and the universal credit is aimed at starting to tackle that situation.

Chris Leslie: For the benefit of hon. Members, will the Minister tell us what the marginal rate of tax will be for families that lose child benefit when they earn more than a certain amount? What will the percentage be? As I understand it, earning £1 could result in £2,000 of lost child benefit.

Justine Greening: I am sure the hon. Gentleman will want to consider those calculations in detail, but that brings us back to my concern about the Opposition's engagement with the subject, which was typified by his intervention. Unfortunately, it was not at all constructive but deeply negative. At the heart of my concern about the Opposition's lack of thoughtful strategy is the fact that he argues for a policy that would maintain child benefit for higher rate taxpayers.

Chris Leslie: Will the Minister give way?

Justine Greening: No; I want to make some progress.

The hon. Member for Nottingham East could have set out some better alternatives, but he failed to do so. That is a shame for our democracy. I assure him that we are tackling problems in the welfare system that the previous Government failed to tackle; I had hoped that he would welcome that. I know that the Opposition agree with some of our welfare reforms; it would help if we knew which ones, as we could then have a genuine political debate about areas of disagreement.

The universal credit will be a big step forward, and a good one. It will ensure that people are no longer trapped in welfare, as they have been. The hon. Member for St Ives said that one of our achievements as a coalition Government was to re-establish the earnings link. He is right; against the backdrop of a difficult fiscal deficit, we have maintained pensioner benefits on things such as free eye tests, free prescriptions, the free bus pass and free TV licences for the over-75s. We have also increased the cold weather payment award permanently to £25.

The hon. Gentleman also mentioned social care. Again, it is symptomatic of what we have in mind that we must protect the most vulnerable. That is why we

have added £2 billion to the social care bill, with £1 billion from the NHS and £1 billion from the budget of the Department for Communities and Local Government. That is precisely to ensure that local authorities do not need to restrict access to social care. The fact that the money comes from the NHS and the Department shows that we need them to work more closely together. The reality is that health and social care are inextricably linked. Indeed, good social care can protect the vulnerable and help them maintain a healthy and independent life. As MPs, we have all seen people in our surgeries who are very keen to do that, and we have all worked to help people maintain the independence that so many want. We have therefore been particularly careful to ensure that funding for social care is supported.

I turn to the hon. Gentleman's important comments on housing benefit. In the changes that we made to housing benefit, we tried to ensure that we tackle the underpinning of affordable housing and the lack of new affordable housing. One reason why housing has become so expensive is the gap between demand and supply, and the fact that housing starts over the last 10 years have generally been lower than in the past. That was so particularly for social housing, and especially for affordable homes in places such as London.

That is the backdrop and the key reason why rents have risen and housing has generally become more expensive. The previous model of affordable housing did not work. If Government money had been thrown at it during an economic boom, we would have seen the sorts of affordable housing that were needed, but it did not happen. We therefore had to think of different ways to do it. We are working far more effectively with housing associations and other investors that want to create housing, to ensure that we get back to creating the levels of social housing and affordable housing that are needed. That means investment—£4.5 billion for new affordable homes and £2 billion for the decent homes programme. We also need a more flexible system of affordable housing to help those who need to move for work and to protect the most vulnerable, and one that is also fair to the taxpayer.

Andrew George: I acknowledged earlier that £4.5 billion will be retained over the next three years for social housing. However, the Government intend funding the shortfall by allowing social landlords to increase their rents by up to 80% of the market value. That will result in more housing benefit. Within the Treasury's modelling, to what extent does the Economic Secretary anticipate the increase in public-sector contribution resulting from the increase in the housing benefit to be paid to residential social landlords as a result of rent increases?

Justine Greening: It is important to say that the change relates to new tenants rather than existing ones. Existing tenancies will not be affected by such measures. On the question of market rates and affordability, we will want to see landlords, the Homes and Communities Agency, and the regulator, in conjunction with local authorities, talking about ensuring affordability. The hon. Gentleman is right to point out that housing benefit will still be available to support people.

The challenge is to move to a more sustainable footing for housing, and particularly for social housing. That is most important for housing associations, and the need for them to keep reinvesting. We have tried to strike a balance that is broadly fair to those on existing tenancies and to ensure that the new stock that we seek to create—the £4.5 billion will create about 150,000 affordable homes—is used more effectively to support people. At the same time, we want to work with people to ensure that rents are affordable. Nevertheless, housing benefit will still be there.

The hon. Gentleman also spoke about the cap on the housing allowance and setting the local allowance at the 30th percentile rate. The reality is that people who are working must ensure that they can afford where they live. It will be difficult to ask them to pay into a system in which people on out-of-work benefits are living in areas that they simply cannot afford. The 30th percentile change is about trying to strike the right balance between what is affordable and what is fair and reasonable.

Annette Brooke: I thank the Economic Secretary for her earlier comments, which were helpful in setting the scene for reform. However, I share the concern of my hon. Friend the Member for St Ives (Andrew George) about the fact that housing benefit will impact differently in different areas. For instance, in my area I obviously have winter lets, and people seem to be concerned about the smaller one-bedroom or two-bedroom properties. I know that the transitional fund has been allocated, but will the Economic Secretary explain how the problems of each individual area, as they relate to vulnerable people, will be dealt with sensitively?

Justine Greening: The hon. Lady is right: different parts of the country clearly have different housing needs and challenges. The Department for Work and Pensions will be working with local authorities through the transition period, and as she pointed out, we need funding in place for that as well. There will be £140 million of discretionary funding to support local authorities, £10 million of which is for London. It is worth pointing out that that is not the only support available for those affected.

For example, we still have many things such as the social fund, which includes budgeting loans, crisis loans and community care grants that are being maintained. We are considering how the social fund can be more localised, so we are working with the Department for Communities and Local Government and local authorities to see how we can best use the money we have to support people, in a way that works for them and at the local level. Interestingly, no London MPs are here, apart from me. Depending on where one represents in the country, there is a different group of constituents, facing a different series of challenges. Therefore, ensuring that the local aspect is fully part of how we work through the transition is vital. That is why the role of the Department for Work and Pensions, working with local authorities and the DCLG, is so critical. That is also why, as Liberal Democrats will recognise, localism is a theme that needs to run more broadly through our policy across Government. That is one reason why in this area it is important.

Andrew George: That is central to the point that I was making, and it has been repeated by my hon. Friend the Member for Mid Dorset and North Poole (Annette Brooke). I entirely understand that in a London setting, and perhaps in other parts of the country, this is a

[Andrew George]

debate about the understandable sense of injustice among hard-working people, who feel that those who are not working have preferential, and indeed better, living circumstances than they themselves can afford. In my part of the country that does not apply. The key issue is that the rental properties coming on to the market are not getting close to even the median or below, which is the setting for housing benefit in my area. Understanding how the market works in our area, we know that the policy of ratcheting it down to 30% will not lever private rents downward. It will leave a large group of people—working and non-working—significantly impoverished.

Justine Greening: The hon. Gentleman has set out his concerns for his area. I go back to my earlier comment about the 30th percentile change. That is the right thing to do to ensure that people feel the system is fair. As for rents, interestingly, if one looks at the changes around local housing allowance, about 32% of people affected by the changes will lose money, but will still get enough to cover their rent. Because of the way that local housing allowance worked in the past—it meant that people got more than they needed to pay their rent—a third of people will not be left with a shortfall.

We talked about the discretionary fund and working with local authorities. The concerns that the hon. Gentleman has raised are precisely why we want to ensure that as much of that support as possible can be localised. The reason is twofold. Local authorities might feel that the best way they can support people is to keep them in the homes they are already in—that is the decision they take. In other cases, they might feel that the best long-term sustainable situation is to help people to move to something that is more affordable to them.

The hon. Gentleman is absolutely right to raise those issues, which are precisely why we have set aside £140 million to ensure that the support is there to tackle some of those on-the-ground changes through the transition period, as we move to a housing benefit system that feels fairer and more affordable, and that does not trap people in poverty and out of work, as we have seen in the past.

I thank the hon. Member for St Ives for securing today's debate, which has raised some very important points, and I am grateful to hon. Members for their contributions. There is no doubt that the spending review will have an impact across our society—not just for the next four years, but for many to come. The decisions we have made will help to shape Britain's future. That is something of which I am very conscious. That is why we have put such an emphasis on fairness, protecting the vulnerable and supporting the most needy.

That fairness is rooted in not only supporting people today, but giving them the opportunity of a better quality of life tomorrow. We know that cuts to public expenditure have to be made—even the Opposition would agree with that—but that should not come at a cost of a more divided society, where the poorest and the most disadvantaged suffer as a result of mistakes that were never theirs. Our actions in the spending review reflect that: we have delivered a fair settlement, demonstrated that we are a progressive Government and supported the most vulnerable in our society. That was our promise when we came to power, and it is one that we fully intend to keep.

10.55 am

Sitting suspended.

Consumer Credit Regulation

11 am

Stella Creasy (Walthamstow) (Lab/Co-op): I have tabled this debate for a simple reason. As a new MP, it seems to me to be the best way to get some answers from the Government about a matter that I know is very important to many of us in Westminster Hall today: how we support the poorest consumers in society.

Despite the pressure applied by Compass, the End Legal Loan Sharks campaign, the Better Banking Coalition and myself and others, as yet Ministers have not made any commitment to act on the issue of consumer credit regulation. I hope we can change that today, especially after the show of support by the number of Members here for this debate. I want to show how and why the Government should act, through regulation of consumer credit. I want also to highlight how important it is that that be undertaken in conjunction with a range of other measures to support people who get into debt, and ultimately to help break the cycle of debt that blights the lives of too many people in Britain.

I have a lot of detailed evidence on these matters that I want to put on the record and I know that a lot of other Members also want to speak out. Nevertheless, I hope that in 90 minutes we can make progress and have a constructive debate, and I am keen to hear what other people have to say on this issue.

At the heart of this debate is a concern about debt and how it defines the financial situation of millions of families in our country. During the past 30 years, households have become more reliant on credit as a means to secure homes, invest in education and skills and smooth out the fluctuations in income and expenditure that everybody experiences. Let me say at the outset that this is not a debate about the wearing of hair shirts or a musing on the nature of contemporary consumer society. The uses of credit that I have just described can be a powerful driver for economic growth. Therefore, ensuring access to credit and confidence in credit markets is vitally important, especially when public spending is so constrained.

However, a growing number of people have problems using credit, and the ease of access to credit also makes it much more likely that people can end up using the wrong kind of credit for their needs or taking on more debt than they can service, so that their financial fortunes become far too sensitive to changes in their circumstances. That creates a toxic mix of the wrong kind of banking and credit services, the ups and downs of life, and a small amount of financial comfort with which to cover the difference between income and expenditure.

A study by *The Observer* newspaper earlier this year found that for 26% of men and 34% of women, living beyond their means was the cause of insolvency. However, for many more people—indeed, for 50% of women—insolvency was caused by unplanned changes to their personal circumstances, such as divorce or job loss. So, for many people the problem is being caught suddenly with an additional expense—replacing a broken-down washing machine or a car—that means a cost to their monthly budget that they cannot afford, or being unable to manage a sudden loss of income through redundancy or family breakdown. All these factors then lead to over-indebtedness, default and insolvency.

Just how bad is the debt problem? The UK now has one of the highest levels of personal debt in the world. In April this year, people in Britain owed more than £1.4 billion in private debt and in recent years personal insolvency has reached record highs, with more than 130,000 individuals entering a formal insolvency process this year alone. These official statistics can tell us about formal insolvency, but it is clear that that is just the tip of an iceberg. Industry estimates are that about 500,000 people are currently in a debt management plan, and independent research by R3—the Association of Business Recovery Professionals—shows that a further 600,000 people say that they have contacted their creditors for help as a result of struggling with their debts. R3 also estimates that another 960,000 people are struggling with debts but do not seek help.

Debt has become the norm in our lives in Britain, with most of us owing money on credit cards, loans and overdrafts. However, it is when those debts become unsustainable and overbearing that trouble happens. According to R3, as a result of the recession four in 10 people are now worried about their current level of debt, with 3 million people fearing redundancy and 2 million people having taken on more debt in recent months. One in 10 people frequently struggles to make it to pay day, with money tending to run out around the twentieth day of each month.

There is every indication that these problems will only get worse, especially for those who can least afford indebtedness. The Government's deficit reduction programme will put millions of people who are on low incomes under severe financial pressure, as they face reduced public services, a greater threat of unemployment and public sector pay freezes. Family Action has identified how a total of 21 different cuts, from changes to the working tax credit to the rise in VAT, will hit low-income families hardest. Crucially for those of us who are concerned by these issues, many of those are people for whom debts are a daily fact of life and for whom unemployment and cuts in income will be even more likely in the coming years, with banks and building societies remaining out of reach as a source of credit.

So it is welcome news that the Government have announced a review of credit and insolvency, and that they have made firm commitments to considering capping interest rates on credit and store cards. However, this debate is about what is not in the credit review, what the Government have not done and what they have failed to make firm commitments about. It is the millions of the poorest consumers, who end up using the so-called home credit, hire purchase and pay day loan sector, whom I want to talk about today.

The Better Banking Coalition estimates that some 6 million people are in that position. Many of them are people for whom the illegal loan sharking industry may once have been an option, and the progress made by the previous Government in addressing loan sharking must be recorded. The work of the Department for Business, Innovation and Skills itself shows that about 300,000 individuals, representing about 3% of the poorest families in Britain, used to borrow about £120 million a year from illegal moneylenders, on which they ended up paying back £450 million. The work of the taskforce on illegal moneylending should be commended, and I hope

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it will be supported. Indeed, its work should be protected within the budget of BIS, especially as it has been judged as delivering value for money.

Mr Andrew Smith (Oxford East) (Lab): I congratulate my hon. Friend on securing this very important debate and on campaigning so vigorously in this vital area. Does she agree with me that in combating the loan sharks, the work of local trading standards departments has been absolutely critical? Furthermore, does she agree that it would be an absolute tragedy if, as a result of the Lib Dem-Tory cuts that will affect local government, trading standards officers were held back from doing that vital work?

Stella Creasy: My right hon. Friend makes an incredibly important point. With local authorities facing cuts of 25% or more to their budgets, it is clear that those cuts could affect trading standards and that the action now being taken on illegal loan sharking could therefore be put at risk.

We should not free communities from one form of exploitation only to allow another form to grow unchecked. Indeed, as more effort is put into cracking down on the criminal activity of loan sharks, it is all the more vital that there be greater access to affordable credit, an issue I will return to at the end of my comments.

We are here today to talk about the growth of the high-interest legal home credit market—a relatively recent phenomenon in the UK, and an industry that originated in America. As a result, many of the companies operating here are "exporters", either working online or in our town centres. A good example is Dollar Financial, a US-based lender that operates under the trading name of the Money Shop in the UK. The Money Shop has expanded from just one store in the UK in 1992, which dealt primarily with cheque cashing, to 273 stores and 64 franchises across the UK by 2009. Now, in communities such as mine in Walthamstow, these companies litter our high streets.

I want to set out the sort of products such companies sell. We are talking about pay-day lenders, organisations such as Oakum or Wonga.com. In August, the Consumer Focus group published research into the use of pay-day lending. It estimated this market to be worth £1.2 billion a year and that it was used by around 1.2 million people. Its report went on to forecast a significant growth in the market. Such loans are often short-term ones with technical interest rates of anything up to 3,500% for a five-day loan—another point I want to return later.

The Consumer Finance Association, which represents pay-day lenders in the UK, estimates that these companies' customers have an annual income of between £12,500 and £30,000, with £18,000 being the approximate average. However, research for the Friends Provident Foundation found that one in 10 UK pay-day customers had incomes of less than £11,000 per year. These are the people who can least afford to borrow at such high rates, even if it is only for a short time. The price of such lending is often as much as £35 in interest for every £100 borrowed, which simply drives these people further into debt, especially as these loans are often rolled over, one after another.

Furthermore, these companies make a point of targeting those who are unable to access the UK banking market. Indeed, in my own constituency Oakum makes a point of hiring people who can speak two languages, so that they can target their services at communities who are new to Britain and for whom the British banking system is still alien.

In the "home credit" market, people are approached on their doorsteps and offered loans. Generally, such loans range from £200 to £500 and have to be paid back over the course of a year. Although the companies involved claim not to charge for missed or late payments, if someone borrows £300 they have to pay back about £10.50 a week, which adds up to some £540 over the course of a year. That means a typical annual percentage rate of 272%, compared with the 9% or 10% APR that is often offered by mainstream banks.

One of these companies, Provident, has 11,500 "agents" who visit some 1.8 million people a week to collect payments and offer credit. Agents work with each person they serve to judge how much credit they can buy. Some 70% of both customers and agents are women. Critically, agents are paid according to how much they collect, not how much they lend, creating even more pressure to keep people borrowing at such rates.

Or consider the antics of hire-purchase companies such as BrightHouse. Such organisations target those on low incomes who have been refused credit and offer goods for sale on hire-purchase terms. The goods, which often have a high mark-up already, are leased out at high interest rates, so that a computer costing £800 or £900 ends up costing £2,000 or £3,000. Should someone default on a week's payments, the company often imposes high penalty charges and requires the following week's or month's payments straight away, making it even harder to catch up.

Opportunities to expand resulting from the comprehensive spending review have not been lost on many of those who work in the market. Indeed, Provident's chief executive publicly stated that he expects growth in his target market as a direct result of the CSR. Another factor driving today's debate is the failure in the credit market for such consumers. The lack of competition to serve them means that it is a seller's market. Six lenders account for 90% of the home credit market—Provident accounts for 60%—so there is little competition to drive down interest rates.

Clearly, credit lent must be repaid. It is therefore inevitable and fair that interest should be charged to cover the cost of providing credit. It is not disputed that many of those on low incomes or with bad credit histories are a higher lending risk, so interest rates on products aimed at them will be higher than those for the mainstream. However, the terms on which such transactions take place are critical. It is right for both parties that credit should be affordable, which means that both sides must judge what is possible.

There are concerns on that point, because many companies, however ethical and caring they may profess to be, are not. They operate in ways that undermine that profession. A pawnshop in my constituency rings customers back to offer them unsecured loans. Some lenders make a virtue of the fact that they do not consider previous credit history or assess whether a household can afford repayments. Such lenders take high-risk customers not

out of the goodness of their hearts but because they know they can hook families on their services, creating a long-term cash cow.

High-interest lending also adds to the difficulties faced by the public purse. Lending at high rates to people on low incomes serves only to deepen their poverty. Credit dependency, whereby such debts can never be paid off, results in debts elsewhere, such as on rent, council tax and fuel bills. It results in cold homes and people going without food. I am sure the Minister recognises that the public purse can end up picking up the pieces.

Andrew Bridgen (North West Leicestershire) (Con): Some 10 years ago, I raised the crucial point of the capping of interest rates on loans to vulnerable households with the Office of Fair Trading, and my arguments were rebuked. The OFT maintained that, given the risk profile of the individuals involved, if usurious rates could not be charged, no credit would be available to those communities, and that some credit, even at usurious rates, was better than none. I was not completely convinced at the time that those arguments were valid, and I am not convinced at all in post-credit crunch Britain. I am pleased that the hon. Lady is raising the issue.

Stella Creasy: I thank the hon. Gentleman for his point. I will certainly come to that, as there is concern about how we might intervene in the market, but I am confident that we can and should, and that the Government should be considering it.

We are discussing, in particular, the mix of a lack of competition and a rising demand for credit, but it is better to consider the people at the heart of the issue. We can all talk about statistics, but many of us will have seen in our surgeries the people who get into such debts. There are women who get into years of debt at high rates because their next-door neighbour is a Provident home seller who tells them week after week that they need to borrow more. A constituent of mine had loans from Provident, BrightHouse and Oakam, as well as a purse full of store cards. She missed a few payments and her interest rates soared as a result. She tried to juggle all of them but did not have enough money, and ended up running up an expensive overdraft that accrued £10 a day in charges.

The costs affect not just individuals but our communities as well. A Centre for Responsible Credit survey of the Meadowell estate in 2001 found that more money was going out of the estate on payments to door-to-door lenders than the Government were putting in via regeneration budgets. Given the nature of the market and the evidence that I have put on record, will the Minister admit that many of the practices involved in high-interest, short-term money lending are exploitative and unacceptable, and that the Government should intervene to protect people vulnerable to loan sharking?

Fiona O'Donnell (East Lothian) (Lab): Has my hon. Friend heard today's news that the Government will not be proceeding with the people's bank planned for the Post Office? Does she not agree that that is further bad news for people trying to access fair and affordable financial services?

Stella Creasy: I agree absolutely. It is a travesty. This debate is not just about cracking down on loan sharks; it is also about increasing access to affordable credit, as I shall discuss later. That decision will not help the people whom we are discussing. It is one thing to say that we are concerned about the market, but the proof of the pudding is in the eating: what are we doing to ensure that more people can access credit?

Given that and the concerns expressed by Members here, will the Minister make a firm commitment to consult on action to cap the total cost of all forms of borrowing—including the high-interest credit industry, rather than just suppliers of credit and store cards—in his Department's ongoing credit review? I hope he will commit to so expanding the scope of the credit review, because it would make a difference to consumers.

Before the Minister makes that commitment, I will address an issue on which many MPs have been lobbied, and which the hon. Member for North West Leicestershire (Andrew Bridgen) mentioned earlier. It is possible to act on interest rates. I know that some of the companies concerned contacted Members before this debate claiming that such measures, although well-intentioned, would have unintended consequences. They use such arguments to justify the astronomical interest rates that they charge, arguing that any reduction in those rates would be impossible.

To tackle that point head-on, yes, concerns have been expressed not just by legal loan sharks but by organisations that work for those in debt, such as Citizens Advice. I am also aware of the work of the Office of Fair Trading and Consumer Focus, which have both expressed reservations about the impact of introducing a uniform cap on interest rates. They fear that it would close down or reduce pay-day lending, pushing people into the illegal loan sharking market.

Those difficulties—which, it must be said, are disputed by other organisations with counter-evidence—do not mean that we cannot act. We know from legislation dealing with dangerous driving, the introduction of a minimum wage and fireworks safety that there will always be people who point to those who will not abide by the rules. The arguments against a cap presume perfect consumers of the services in question who can make price-sensitive judgments about what loans they can access and their own credit situation, and competition for their custom. I hope I have shown that that is simply not the case. The problems with a rate cap do not mean that we cannot act. Rather, we must work harder and learn from others how best to act.

Susan Elan Jones (Clwyd South) (Lab): Does my hon. Friend accept that other jurisdictions such as Canada and the American state of Ohio, where similar objections were raised, decided on balance to cap interest rates?

Stella Creasy: My hon. Friend is exactly right. There are many examples overseas from which we can learn, and I hope to put some of them on the record.

Mr David Lammy (Tottenham) (Lab): Is not my hon. Friend trying to make the point that in communities such as ours—Tottenham is next door to Walthamstow, and it is very similar—people need to know who they can trust? We have heard today's decision on the people's

[Mr David Lammy]

bank. In years gone by, my mother felt that she could trust the national savings scheme with the Post Office. It is not just about providing poor people with more information; they need the state to step in and take a view on what is excessive and exploitative in that area of the market.

Stella Creasy: My right hon. Friend is absolutely right. We know that it is possible to intervene effectively in such markets, and I shall come to that next.

In the Consumer Credit (Regulation and Advice) Bill, which is my private Member's Bill, I suggest not a blunt cap on interest rates, but a cap on the total cost of lending, which is vital. Given the experience in other countries, it seems likely that focusing solely on capping interest rates would lead some companies simply to recoup their profits through administrative and late repayment charges.

Also, as I said, the situation in the short-term loan market can be very different from the long-term compound interest that many people face. That creates perpetual rolling debts in which families get stuck. It is worth highlighting exactly what that difference is and what it means for interest rates. Some short-term loans have an annual interest rate of 2,000% or 3,000%. If I were to lend someone £100 and ask for £10 at the end of a week, it would equate over a year to an interest rate of approximately 3,500%.

We need more sophisticated tools than a blunt cap on interest rates to get around the maths and also to ensure that emergency loans are not rendered illegal or impossible when they are manageable, and that is why I propose two forms of intervention. The first is powers to intervene on the total cost of borrowing over the lifetime of a loan to set parameters within which any company can be expected to act. Such a process would examine the total lending charge and give the Government the power to stop a single loan from exceeding a certain percentage of the original value through all the costs associated with it. That could be done through the Office of Fair Trading or whatever remnant of Consumer Focus the Government leave as protection following their decision to disband it.

Secondly, within those parameters, the Government should consider caps on the interest rates that firms charge for different forms of loans—whether they are pay-day loans, longer term or for hire purchase. That would avoid inadvertently killing off the short-term emergency loan market and address the impact of compound interest.

As hon. Members have pointed out, these are not back-of-the-envelope proposals without any foundation. Just last week in Montana, alongside the mid-term elections, the public voted to cap the interest rate that lenders can charge. That makes Montana the 16th US state in which pay-day lending is effectively banned because of a 36% limit on the annual interest rate that lenders can charge. Indeed, 15 states in America have essentially eliminated pay-day lending altogether by introducing a ban or cap on the maximum amount of credit at a low level, which has driven such lenders out of business. Some 35 US states and eight Canadian provinces have introduced higher caps on the price of pay-day loans, which allows such loans to operate but protects consumers from extortionate lending. For example, in a number of Canadian provinces, caps have been set at between $21 and $23 per $100 lent.

Such legislative interventions have been put in place not only in America and Canada, as 14 European states have some form of ceiling on interest rates. Countries often have more than one ceiling because they are set according to the different type or size of loan. For example, there is a different loan category in Belgium for those under €1,250 and those over. Alternatively, ceiling levels are set according to the terms or nature of the loan, such as depending on whether they are mortgages, credit cards or auto loans. The number of parameters can make some ceiling designs complex and difficult to understand. Indeed, the most straightforward are the absolute ceilings found under the past tradition of usury laws, but their impact is not as effective as some of the more targeted ceilings. There are differences between what has happened in Greece and Malta, and in some of the other countries that have brought in more complicated caps, such as Belgium, Portugal, Poland and the Netherlands. Many of those are based on a reference rate, under which a multiple of average market rates can be used to set the ceiling. In France, the ceilings are set at 133% of the market average—in other words, one third above the average.

A report on the effects of rate caps in Europe is due to be published by the European Commission in February 2011. I understand that it will support the case for caps, provided that the form and level of the caps are carefully constructed. Those issues—what form the cap could take and where it could be set—need proper and full discussion. It does not take the debate forward to say that because some caps have not worked, we therefore should never have them. We should be asking where caps have worked well, how we can learn from that, and how we can apply them so that we effectively help people on low incomes in the UK. Frankly, what is the credit review for if it is not to examine how and if such approaches could work here?

The Government could learn from other countries about ways of preventing compound interest's connection to debt dependency. Indeed, that is why it is all the more surprising that the credit review does not consider such matters. America and Canada have experimented with restricting the amount that can be lent—for example, Illinois and Nevada have put in place clear requirements that a loan should not exceed 25% of a borrower's income. In Arizona, California, Colorado and Florida, the number of loans that can be provided has been limited to just one at a time. In addition, Indiana prohibits more than one loan from a single lender and limits the total number of loans to two. Alabama restricts the total number of times a loan can be rolled over to just one. Alaska allows just two, while Illinois, Kentucky and Louisiana prohibit the practice entirely.

The Minister for Universities and Science (Mr David Willetts): The hon. Lady makes much play of the evidence from individual American states. Does she accept that one of the consequences of what happens in America is that lenders that are set up in other states are able to sell their services perfectly legally in the states in which such practices are banned? That increases the risk of illegal lending, so I am not sure that the fact that such things happen in some American states particularly strengthens her case.

Stella Creasy: The Minister expresses concern about the nature of federal government in America, but he ignores the evidence from European states with a national system of governance that have introduced interest rate caps effectively. The best possible comparison for the UK is European states, rather than states in America and Canada, although I mentioned those cases as examples of where caps have been introduced and differential rates have been used. Frankly, the Minister should be considering such issues in his credit review, rather than them simply being raised as part of an Adjournment debate. I hope that he will rethink the credit review and expand it to consider such issues and the way in which they might apply in the home context. I mentioned such detail to show that it is possible to legislate to deal with the worst excesses of the markets and that such an approach does not increase the market for illegal loan sharks, as that is not demonstrated in the evidence from other countries.

Andrew Bridgen: I am extremely sympathetic to the hon. Lady's aims and cause. However, does she agree that some of the previous Government's policies did not help people get out of debt but, in fact, trapped them in it? In the days of easy credit, the complex working tax credit system allowed people to get into debt. Given the withdrawal of benefits, and with marginal rates of taxation of 60%, 70%, 80% and 90%, people were trapped in debt because they could never work their way out of it.

Stella Creasy: I would be interested if the hon. Gentleman could produce evidence for that, as opposed to making a supposition. It is easy to claim that working tax credit put people into such dependency, but let us consider what the loan sharks themselves have said about the comprehensive spending review. They have argued that it will increase the number of people coming to them because those people will not have money to help their families grow. That is where I look for evidence.

Considering the evidence on how we tackle legal loan sharking in and of itself is not enough to help these families. We need to stop the exploitation of low-income households in the credit market and legislate on the cost of borrowing. As Labour Members will understand—they know these problems well because they have had to deal with them—we also need to increase access to affordable credit. Those two issues go hand in hand. We cannot expand access to affordable credit while millions of people are trapped in relationships of credit dependency.

Derek Twigg (Halton) (Lab): I congratulate my hon. Friend on a powerful and excellent speech. When considering help for such families, we also need to think about credit and money advice. The previous Government provided significant amounts of extra money to deal with the consequences of the recession. Clearly, we must do that if we are to deal with the problems that have arisen as a result of the CSR. An important part of this process is to have more money advice. People need proper advice about how to manage their money, how to avoid getting into debt, and how to make the right decision on loans.

Stella Creasy: As ever, my hon. Friend makes an incredibly practical and important point on these issues, which I shall come back to at the end of my comments when I consider the third component of the action that we can take to protect the poorest consumers in Britain.

I shall quickly return to my point about access to affordable credit. We must learn lessons and consider how to increase affordable credit access through the existing UK market. We know that that can be done, because people are already doing it. Credit unions and social enterprises such as Fair Finance are demonstrating that it is possible to lend at reasonable rates, to provide money advice services, and to help people to make credit work for them.

Rachel Reeves (Leeds West) (Lab): I thank my hon. Friend for securing the debate and I know that many of my constituents will be watching it closely. Does she agree that credit unions—including the Leeds City credit union, which has been operating for more than 20 years in my city, and the Bramley credit union—offer an excellent alternative to loan sharks? The Government could do more to support credit unions to grow, for example by enabling them to operate at all post offices and at local council facilities such as benefit offices and local libraries.

Stella Creasy: My hon. Friend is absolutely right and makes exactly the point I wanted to mention about how important it is to support and promote credit unions. There is certainly scope for British credit unions to grow, and we are behind other nations in that respect. In Ireland, 50% of the population are members of a credit union. In America and Canada, the figure is around 40%. In Australia and New Zealand it is around 25%, but it is closer to 2% in the UK. Despite that, at least 86% of people are eligible to join a credit union in England, Scotland and Wales on the basis of where they live and the working areas that are served by credit unions. That is not just in Bramley—my excellent Waltham Forest community credit union has more than 4,000 customers.

There is clearly interest in accessing credit through such bodies. Membership of credit unions in Britain increased by 35% between March 2008 and March 2010. The challenge we face is how to scale up credit unions extremely quickly, given the CSR and the level of debt that we are facing. The question of the future of the post office network provides therefore both an opportunity and a threat to some of the excellent work that can be done in this field, which several hon. Members have mentioned.

The previous Government proposed—this is being promoted by the Association of British Credit Unions—connecting up the credit union movement and post offices, which would allow the integration of both services. A one-off investment would be needed to provide the common back-office platform that would allow the technical integration of the two services. In turn, that would allow post offices to offer a wider range of services, including those vital instant small-scale loans, as well as access to a Post Office card account. Staff at post offices could carry out transactions in real time, checking account details and giving instant pre-approved loans that were affordable and convenient. Credit union customers would be able to access their accounts and make payments through the post office. In turn, a transaction fee would be generated by each transaction

[Stella Creasy]

that would provide a new stream of revenue for the Post Office. That could open up access to affordable credit and help consumers by breaking down the monopoly on supply. It is no wonder that the Finance and Leasing Association has briefed against that proposal and argued that it could restrict consumer choice and hinder competition, which is something that many legal loan sharks seem to think is okay for their specialist services.

Does the Minister stand with the loan sharks or the credit unions? What commitment will his Department make to fund the back-office integration of post offices and credit unions so that the post office network can provide credit union services and increase access to affordable credit for consumers? Those problems require us not only to legislate, but to look at what we can do for the families involved. We must not only clamp down on the exploitation practised by the firms, but extend access to affordable credit through credit unions.

Neil Carmichael (Stroud) (Con): Has the hon. Lady considered the implications of the Bill of Sale Act 1878, which effectively enables loan sharks to get away with much of their inappropriate behaviour? We all agree that we should not tolerate loan sharks—they are in my constituency as well as in hers and others.

Stella Creasy: The hon. Gentleman makes a fair comment. The point behind today's debate is that there is overwhelming evidence that we can and should intervene, and there is certainly concern about the situation among Labour Members. The credit review offers us, if anything, an opportunity to look at how we can intervene and how the law could be amended. The fact that that is not happening is a travesty, so I hope that coalition Members will challenge the Government to expand the scope of the credit review so that it covers these issues.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I am grateful to my hon. Friend for securing the debate. Will she join me in asking the Minister to clarify the Government's intentions on the consumer advocate? There has been some speculation that they are keen to go ahead with that position, which was first suggested in a White Paper by the previous Government, but there is still no actual detail. A consumer advocate could play a crucial role in that area, so it would be good to hear the Government's intentions on that.

Stella Creasy: My hon. Friend makes an incredibly fair point. I certainly hope that the Minister will address that, along with the credit review and the role that credit unions could play within post offices.

I certainly want more direct financial support for organisations that provide advocacy services and support people who get into debt. The model that we can learn from is that of the drinks industry. In 2007, following public concern about alcopops and the need to address binge drinking, the industry responded by setting up and funding Drinkaware, an independent charity administering grants to tackle alcohol misuse. Each year it raises around £2.6 million from alcoholic drink makers and retailers, which is then used to raise awareness about alcohol and encourage sensible drinking. My Consumer Credit (Regulation and Advice) Bill proposes that a levy should be imposed on organisations selling credit, which would be used to fund a similar grant scheme. That could be accessed by a range of organisations providing debt management counselling or financial literacy services. Counsellors could give one-on-one sessions to families to help them get back on their feet by negotiating with creditors, helping them to navigate the support to which they are entitled and identifying how best they can live within their means.

Supporting those whose lives are ruled by debt requires more than informal advice. R3, the insolvency practitioners' industry body, notes that one in five of their clients did not seek help earlier because they had no idea who to turn to for help. I welcome the Government's continued support for the previous Administration's work on a levy on dormant bank accounts for that purpose, but I hope that they will recognise the need for both financial advice services and specific advocacy services, such as the excellent work undertaken by organisations such as the Consumer Credit Counselling Service, Citizens Advice and Christians Against Poverty. The Moneymadeclear service, as it is currently set out, will not be the same thing, and we must ensure that both are available if we are to address these challenges. Does the Minister recognise the need to provide specialist financial advice and advocacy services to help people who get into debt, and will he commit to setting up a fund to support those services directly, as I propose in my Bill?

We have covered many complicated issues today. Just to be clear, I will end my remarks by repeating the three clear commitments that I want the Government to tell us, on record, whether they will make. First, will the Minister commit to expanding the credit review, to consulting on powers to cap the total lending costs, and to exploring caps on different interest rates for different types of loans? Secondly, will he commit to financing the integration of the post office network with the credit union network to enable them to share back-office technology and thus support each other? Finally, will he commit to a levy on those who sell credit to create a dedicated fund for debt advice and advocacy services?

Failure to act on those matters would not come at a worse time for many of Britain's families. We know that if the Government are intent on pushing their Budget on Britain, they will raise the number of families in our communities living with the daily misery of debt. They therefore must take responsibility for their actions. They must give the same consideration to the needs of those for whom the never-never is a fact of life as they do for those who have Amex cards or a trust fund. I hope that the Minister will give us three yeses today so that we can make progress on those matters.

11.34 am

Damian Hinds (East Hampshire) (Con): I congratulate the hon. Member for Walthamstow (Stella Creasy) on the clear, in many ways convincing and impassioned way in which she put her case. She has had quite a double whammy over the past few days, with her ten-minute rule Bill last week and now this important debate. It is particularly timely, given the review of consumer credit and personal insolvency and this morning's statement by the Department for Business, Innovation and Skills on the future of the post office network, which, to be fair, contained rather more of positive interest to people who care about those issues than perhaps some Members have suggested today.

Like the hon. Lady, I will concentrate on instalment credit, rather than revolving credit, although both are relevant. I am sure that the debate will be positive, but I will start with three negative points—three not's. First, this is not a party political debate. I pay tribute to the previous Government's work with the credit union sector, for example, which at the time had all-party support. I am also sure that measures to address those problems and help the most vulnerable people will receive support from across the House. I know that that is the case among many of my colleagues in the coalition Government, and it is evidenced to a large extent by the number of Members from both sides of the House who have attended the debate.

Secondly, this issue is not new, although, to be fair, it is changing. The leader in doorstep home credit has been around since Victorian times, but every few years the nature of the market changes a little. There are changes over time regarding the importance of priority debt and that of consumer debt, and there might in future be some change back towards priority debt. However, it would be wrong to suggest that the home credit market has been created by the comprehensive spending review, and everyone who has ever worked in communities that have such issues knows that well. It is also a dynamic market, and there is always something new to worry about: whenever we think we have got our heads around the market, something new comes along, be it the increasing problems with fee-paying debt management agencies, inertia selling, payment protection insurance, the growth in pay-day loans, the appearance of pre-paid sub-prime credit cards or the appearance of so-called credit rehab cards.

Thirdly, it is not all bad. Every segment of the market plays some sort of role. Even pay-day loans can have a role—for example, in avoiding excessive current account penalty charges. We also have in this country, much more so than in the European markets to which the hon. Lady referred, a pretty competitive and diverse market. The effect is that very few people in this country are totally excluded from the legal and, therefore, regulated—one might argue that it is not regulated well enough—and regulable part of the market.

There are always three key aspects to any debate on this subject. The first is the disclosure of information; education, so that people have the wherewithal to do something with that information; and the whole surrounding culture, particularly what we as a society aspire to regarding the balance between savings and debt to help people get through the ups and downs of life, which everyone has. I will not talk about that this morning because there is not much time and many Members wish to speak. The second area, which is the focus of the hon. Lady's ten-minute rule Bill, is smarter regulation, and the third is alternatives to high-cost credit. I will talk briefly about each of those aspects.

When it comes to regulation, we need to understand our objectives, of which there could be one or two. It might be either to reduce the cost of credit to people on very low incomes and who have great difficulties in their lives, or to reduce the prevalence of credit and debt for those people. That is an important distinction, because it might lead to one or two different things. For example, if one just wanted to reduce the costs, one might liberalise the rules on door-to-door canvassing for cash loans, because that would allow new entrants into the market more easily, which could undercut the existing players and cut the cost. However, not many of us would want to do that. If we are trying to reduce the prevalence of lending in those sectors, we might do the opposite and ban door-to-door canvassing even for non-cash loans—meaning voucher loans—because they are used, as the hon. Lady will know, as the way in to new customers, who can then be graduated on to higher value cash loans. My assumption is that the objective must always be both to reduce the cost to people who are taking on sub-prime loans, and to reduce the prevalence of such lending.

The second key question on objectives is whether we are trying to hammer a particular segment. As I said, each segment, if handled properly and responsibly, has a role. Therefore my assumption is that we are trying to target not a particular segment—for example, pay-day loans or home credit—but the principle of people paying sky-high rates for credit when they need it.

There are perennial problems when trying to make smarter regulation in this area. In particular, because it is such a diverse and organic market, as soon as we deal with one problem, another pops up. In fact, in some ways, it is because we deal with one problem that another pops up. Let me give a couple of examples. If we manage to bear down on cash lending, we will see—this is true in some of the American states to which the hon. Lady referred—an increase in rent-to-own, voucher lending and catalogue lending, with grey pricing. That is where the base price of the item is inflated such that at a 29.9% interest rate, to use a random example, the lender is making considerably more than that in terms of margin. If we bear down effectively on interest charges, there is the automatic tendency, it seems, for lenders to rely more heavily instead on behavioural penalties, which, in many types of lending, can end up costing far more than the apparent rate of interest.

With any cap that we put on the cost of lending, mathematically we will be disproportionately impacting on the highest-risk customers, which in this market means the lowest-income customers and usually the most vulnerable customers. At the extreme end, when we are talking about excluding those people, there is the danger that we will push them into the arms of illegal and unregulated moneylenders—the sort of people whose idea of a late-payment penalty is a cigarette burn to the forearm. Of course we all want to avoid that.

However, despite the perennial problems, there are still possibilities, many of which were outlined by the hon. Lady. APR is a widely misunderstood measure, and there is always the danger that anything we replace it with will also be widely misunderstood, but total cost of credit has more potential than APR to be understood.

On caps, I am a free-market Conservative, so in general I am not in favour of price controls. However, the hon. Lady made a good point in that regard. If we look throughout the European tradition world and the Anglo-Saxon tradition world, hardly anywhere has a market as liberal as ours in terms of the interest rate regime. Of course, before 1974—when there was a Conservative Government—there was a usury ceiling in this country. We have to ask the question: if we have got this so brilliantly right, how come other countries are not trying to copy us?

[Damian Hinds]

I do not think it will work to go after individual markets saying, "We'll have this restriction on this product and that restriction on that product," because new products will just be invented. I wonder whether it is possible to come up with a formula that does away with the market's worst excesses, while not putting any individual segment of it entirely out of business.

I would love to hear the thoughts of my right hon. Friend the Minister on the regulation of rules and supplementary charges on loan roll-over, missed payments, minimum payments and so on. We also need to think about the way in which credit scoring works. By the time that people eventually seek help, many of them have run up eight, nine or 10 separate lines of credit. We have to wonder what the lenders of the eighth, ninth and 10th lines of credit were thinking. This is a matter of responsibility. Of course in terms of the maths, it might be perfectly rational for the lender to issue a lot of loans with relatively low credit-scoring hurdle points, in the knowledge that although they will have to write some off, that is still a more advantageous profit model than rejecting them.

Most of all, I would love to hear from the Minister on something the hon. Member for Walthamstow talked about at length—alternatives to high-cost credit, to which there are multiple aspects. For example, the social fund is probably due for a bit of root-and-branch reform. Here I am talking not about priority debts or emergency loans; but the discretionary fund. In addition, mainstream banks can be exhorted to develop bounce protection credit lines more quickly, which will stop so many people being forced into pay-day loans.

Above all, however, the opportunity is with credit unions. I welcome this morning's statement on the post office network, which gives some positive indications. Credit unions have made great strides in the last few years. Historically, they had been very strong in the west of Scotland, Manchester, Merseyside and parts of London, but not in the rest of the country. In recent years, the situation has improved, but we are still not at the point at which everyone can access a credit union.

The range of services has also improved dramatically, with the credit union current account, cash ISAs and so on. When the legislative reform order that we all hope will come along very soon is passed, that will make further strides in liberalising the common bond—in being able to pay fixed rates of interest on savings accounts and being able to bank to groups as well as individuals, which fits well with the big society agenda.

Mr Thomas: I do not seek to make a partisan point, but will the hon. Gentleman join me nevertheless in asking the Minister to clarify the future of the growth fund, which is due to end in March 2011 and provided significant money to help credit unions and other community finance organisations expand, in order to provide the access-to-credit alternatives he has described?

Damian Hinds: I am sure the Minister has heard the question and made a note of it. What I will say about the growth fund is that of course, capitalising credit unions to expand their customer base has many positive aspects. Not all credit unions were fully geared up to make maximum use of some aspects of the growth fund, and particularly the speed of the growth fund.

I would also like to see other ways of further funds for lending going into credit unions. All of us, if we have not already done so, can open a savings account with a credit union. That is not a flippant point. We need to encourage more people at higher and middle rates of income to use credit unions as their place for savings, because then, of course, those savings become the source of loans to other people.

Credit unions do not yet exist on the critical scale at which there is mass awareness of the services available.

Mrs Jenny Chapman (Darlington) (Lab): I particularly welcome the hon. Gentleman's observation that this is not necessarily a party political issue and that there is support on both sides of the House for many of the elements in the Bill introduced by my hon. Friend the Member for Walthamstow (Stella Creasy). There is a renewed sense of urgency about the issue, perhaps more so among we newer Members who have come by a community-organising route and have seen at first hand the effects in our communities. One thing that prevents credit unions from expanding is that they are seen as operating in charity offices and church halls and they lack the high-street presence of organisations such as BrightHouse, which can spend a lot of money on marketing and targeting people. Integrating credit unions more with the Post Office would have given them that mainstream appeal and access in all communities.

Damian Hinds: I thank the hon. Lady profusely and will remunerate her suitably later for teeing me up for my next sentence. One of the problems for credit unions, apart from lack of awareness of them in some sections of the community, is that they lack a high-street network throughout the country. Marrying them with the Post Office offers amazing synergistic opportunities for both sides. It marries the financial expertise and product base of the credit unions with the presence and trusted brand of the Post Office. We talked earlier about trusted brands.

Henry Smith (Crawley) (Con): The point was made a few moments ago that it is important that middle-income people also join credit unions. I am pleased to have joined my local credit union, as I am sure everyone in the room has joined their local credit union, as a place for savings. The point about a high-street presence is extremely important. My local credit union in Crawley operates out of a community centre, which as we have heard is the norm. I very much support the idea of making credit unions mainstream, and it therefore becoming much more the norm for people to save and transact with them.

Damian Hinds: My hon. Friend makes a fine point, which I do not disagree with at all. I should say, for the avoidance of doubt, that my own savings account is with the United Savings & Loans credit union in Bordon. That fantastic institution has a high-street presence, but because of the rents in my part of the world, it is not the most prominent high-street presence. The established network of the Post Office could make a big difference to that. Of course, this is not just a matter of saying, "We'll work with the Post Office." It is also about the infrastructure that goes behind that—the electronics and the systems. That is why it is necessary to build a robust back-office system and interface. That takes

money, but it does not necessarily have to come entirely from the Government, and it would be a mistake to think so. Such activities do of course carry with them a future income stream, and as everyone knows one can borrow against a future income stream. There is certainly a role for the Government in financing such a thing, but not just grant funding is needed.

Overall, the provision of alternatives is the surest and most important initiative that can be taken in this area. Whatever the regulation, people will always find ways to get around it, and we must strive to make things better.

Stella Creasy: I take the hon. Gentleman's point, and I understand and recognise his experience in the credit union movement. Does he agree that these are the very issues on which the credit review should be formally consulting? It should be looking not just at store and credit cards but at access to credit, and also the home credit market, pay-day lending and the many other products that may well be expanded, to try to tackle once and for all the needs of the poorest consumers.

Damian Hinds: I am supremely relaxed about the names that are given to reviews, discussions and discussion documents. The important thing is that members of the coalition Government take a keen interest in this area and are interested in making progress, and I know that they are. The name or title is of secondary concern.

The surest thing we can do is to provide a good, robust alternative, and thereby revolutionise affordable credit. We can also improve the savings culture in this country and provide a real alternative to the doorstep lenders about which we are all so concerned.

Several hon. Members *rose—*

Mr David Crausby (in the Chair): Front-Bench speakers will be called at 10 past 12, so it would be appreciated if Members kept their contributions short.

11.51 am

Pat Glass (North West Durham) (Lab): I thank my right hon. Friend the Member for Walthamstow (Stella Creasy)—sorry, my hon. Friend the Member for Walthamstow, but soon to be promoted—for securing this debate. As a new Member, I am struck whenever I speak in Westminster Hall by the quality of the debates that take place here. It is such a shame that we do not have the same quality of debate on the Floor of the House, and I believe that that is recognised by all Members here.

Members on both sides of the Chamber have made good points. I know that many people wish to speak, so I intend to keep my remarks brief and largely to restrict them to the north-east and my constituency.

This problem arises in constituencies such as mine and many others because of a lack of affordable credit. People who work part-time and live on low incomes or minimum wage often find themselves with few options, which has resulted in an outbreak of high-cost credit. My constituency is large and made up of many small towns. I cannot walk down the high street of any of the small towns in my constituency without seeing an array of pawn shops that buy gold, cash cheques at exorbitant prices and generally prey on the poor in our communities who, like many hon. Members, I see in my surgery.

In the past seven years, the number of pay-day loan users has increased fourfold and the number of pawnbrokers has trebled. That is happening in constituencies such as mine and that of my hon. Friend. This is probably one of the best attended Westminster Hall debates that I have seen, so the problem clearly exists in other constituencies—not just in the north-east or poorer areas, but right across the country.

Irresponsible lending serves only to make things worse. Companies such as Oakam, which has been mentioned, and the Money Shop charge annual interest rates of more than 444%, despite a Bank of England base rate of just 0.5%. Borrowing at such rates can tip vulnerable people into a cycle of debt and poverty. High debt repayments are linked to rent, council tax and utility arrears, as well as other poverty indicators such as constraints on job-seeking behaviour, poor diet, cold homes, and mental and physical health problems.

The hon. Member for East Hampshire (Damian Hinds) said, rightly, that loan sharking has not resulted from the comprehensive spending review, but the review will simply make things worse. The Government's plans to reduce housing benefit by 10% after a year will make things worse in constituencies such as mine. So far, the arguments in that debate have centred around what will happen in London, but the effects of the cuts will not be restricted to central London. In my constituency, they will mean people who are already struggling and in debt being forced to find another £15 a week that they simply do not have, and being forced to go to loan sharks and disreputable loan companies.

The north-east is a hot spot for illegal loan sharking. The North East Illegal Money Lending Team, which was set up by the previous Government in December 2007, has identified 1,083 illegal lenders—92 in the first quarter of this year; convicted 40 loan sharks; and saved borrowers more than £2 million. When loan sharks are convicted, the cases are publicised widely in the local press and on television.

Some people have argued that a cap on total lending will simply increase illegal loan sharking, but, coming from an area where it is prolific and is blighting the lives of the poor, I would argue that a cap on total lending, as well as investigating and jailing loan sharks, and publicising the cases widely, would improve the position for the poor in my constituency.

This is very much a gender issue. Fair Finance, a social enterprise bank that offers loans and debt advice, has seen clear trends in those seeking its help: 75% are women, 70% are single mothers and 80% are on benefits. The issue disproportionately affects women. In the north-east, there are recorded cases of women being forced into prostitution because of loan sharks.

All families—all of us—experience financial emergencies from time to time, but when a financial emergency hits a poorer household, it is often the catalyst that sets it into a downward spiral of debt. Many people in such situations are vulnerable at all kinds of levels. Many live on the margins and are preyed upon routinely. One of my constituents was forced to borrow £200—a relatively small sum—from a loan shark to fund a trip to Wales. His sister had been murdered by her partner, and he needed to make a trip from the north-east to Wales to organise the funeral and to settle her debts and affairs. His neighbours rallied round and paid off the loan, but

[Pat Glass]

many of them are also poor and vulnerable. If those people can see that there is an issue, surely we can, too, and the Government should act on it.

Andrew Bridgen: The hon. Lady speaks with great passion about individuals in her constituency, and I really feel for them. I hate the phrase, "This is not a partisan point," because we all know what comes next, so I shall not say it. Does she think that the previous Government's claims to have ended boom and bust encouraged or discouraged vulnerable people to gear up with more debt?

Pat Glass: I understand what the hon. Gentleman is saying, but I do not think that it is relevant to the debate, or helpful.

The current situation of allowing very high interest rates to be charged to the lowest-income households leads to greater wealth inequality and greater child poverty, and it constrains efforts to regenerate deprived communities. We have heard about Provident Personal Credit, a legal loan company that operates widely in the north-east. It controls 60% of the home credit and legal doorstep lending there. It mainly offers small, short-term and unsecured cash loans. The typical annual percentage rate on a Provident loan is 272.2%, and 70% of its customers are women. The Government can address those issues and make the lives of those living in the poorest households easier.

Richard Graham (Gloucester) (Con): Will the hon. Lady give way?

Pat Glass: I was about to say what the Government could do, but I shall give way.

Richard Graham: On the three recommendations made by the hon. Member for Walthamstow (Stella Creasy), does the hon. Lady agree that the second, which was about the role played by credit unions in the post office network, is the most exciting opportunity for combating loan sharks that we have seen in this country for a long time? The Minister with responsibility for the Post Office has already made it clear that he welcomes a future role for credit unions in the structure and distribution network of Post Office Ltd. In my constituency, the new Gloucestershire Credit Union, which is partly funded by the Department for Work and Pensions, represents an important step forward for us all in our different constituencies.

Pat Glass: I thank the hon. Gentleman for making that point, which I was going to come on to. What I will say now is that this is not either/or, and we can do both.

The Government could provide a cap now on the total lending rate that may be charged for providing credit, and on additional interest on late payments and default charges, and that could be targeted on companies that charge excessive interest—and then interest again on that charge—to customers who borrow from them. That would be a popular move. A recent YouGov poll, carried out in April 2010 and highlighted on the "End Legal Loan Sharking" campaign's website, found that 89% of the people polled would support such a move.

The Government could also provide alternative sources of affordable credit. Many organisations have called for such action on high-street loan sharking, including Compass, Citizens UK and the "End Legal Loan Sharking" campaign. The Government need to provide local authorities with powers to enable them to restrict the provision of premises for licensed consumer credit agencies within a local area, and to give locals a say over what happens in their high street. When people are asked, they say that they do not want these pawnbrokers and "gold for cash" or high-interest-rate companies on their high streets.

I am disappointed by this morning's announcement that the people's bank will not be part of the post office network, as it could provide affordable short-term credit. Using the post office network to provide back-office functions that integrated the network's services with credit unions would help the poorest people to access credit unions, current accounts and savings accounts through post office branches. However, I welcome the announcement about bringing together the synergy of post offices and credit unions.

The credit review and a cap on interest on store and credit cards are both welcome, but in themselves will not help the poorest people in my constituency and in many others. A credit review would seem to be the right way to go, but I ask the Minister to look again at the terms of reference and to include some of the very strong arguments that have been made from both sides of the Chamber today.

The Government need to do something to stop what is happening. It seems that the only growth on high streets in my constituency and in many others is in charity shops and pawnbrokers. The Government have made a commitment to reducing child poverty and this would be a very good place to start.

[Mr Christopher Chope *in the Chair*]

12.2 pm

Lorely Burt (Solihull) (LD): I shall be very brief. I congratulate the hon. Member for Walthamstow (Stella Creasy) on introducing the debate on those very important issues. She has certainly done her research. The previous Government did some very good work on the regulation of consumer credit, with the Consumer Credit Act 2006. Coming down the line in February 2011 we have the EU directive, and the main thing that that will introduce is the provision that in any credit agreement the customer has to be given standard information. I hope that that, too, will be helpful.

The quality of the contributions to the debate illustrates how complex this issue is—there are other sides to the story. I was speaking to the Finance and Leasing Association this morning, and it is concerned that excessive regulation will shrink the market. The market is contracting at the moment, and that might polarise it.

Andrew Bingham (High Peak) (Con): We could be in danger of using a blunt instrument here, and as has been said, if we knock an apple down, it will bob up somewhere else as an alternative product that cannot be legislated against, so we will continually be revisiting legislation. As was mentioned, the answer is more in education, so that people get the difference between the costs of credit.

Lorely Burt: I totally agree with the hon. Gentleman. As the hon. Member for Walthamstow said, it is very important to look at the whole cost of a loan rather than necessarily relying on an interest rate. The Finance and Leasing Association is concerned that if we cap the interest rate the market will migrate towards the maximum, with high-risk consumers being cross-subsidised by lower-risk ones because somewhere or other the risk has to be funded.

Stella Creasy: Does the hon. Lady share my concern that listening to the Finance and Leasing Association on how to protect the poorest consumers is a bit like listening to burglars telling us that muggers are not very nice because they take people's property to their face?

Lorely Burt: A burglar might have a lot of expertise in telling us how to keep our homes safe, so it is important to keep an open mind and listen to everybody in the argument. The point is that the association is concerned that if we over-regulate, illegal loan sharks will fill the void left behind when other, more reputable lenders leave the market.

The Office of Fair Trading did a review this year of high-cost credit products, pawnbroking, pay-day loans and home collection credit. It concluded that capping price controls was not necessarily the answer:

> "This is because controls such as interest rate caps can contribute to reducing competition in the sector and lead lenders to recover lost income through increasing charges for late payment and default."

Were a cap introduced, there would be a risk of all lenders raising their interest rates to match their competitors, thus making access to loans more difficult for borrowers. The cost of loans is twofold—it is a combination of interest rate and length of term of borrowing—so although some interest rates are very high, that can be offset by the length of the loan. The variety of lending options ensures that the specific requirements of all consumers can be met.

I shall not go into the pay-day and home credit loans, or indeed store credit cards. The point is that they all have a role to play, provided that they are properly regulated. We have heard reference today to the review by the Department for Business, Innovation and Skills and the Treasury. I know that they are covering slightly more than credit and store cards; indeed, they are covering an issue that I have raised in my private Member's Bill—unauthorised overdraft charges. I am very hopeful that we will now get a good resolution on that. I would, however, appreciate clarification from the Minister as to what we will be covering, because my understanding is that we could take the opportunity to consider that important and complex issue.

Finally, is not the answer to give deprived communities better access to mainstream debt? We have talked about the Post Office and basic bank accounts. Everyone has a right to a basic bank account, and that should be much better promoted. We have talked about credit unions, and some companies, such as My Home Finance, have reduced their APR to 29.9%. That might sound like a lot of money, but in the context of illegal loan sharks it is quite something. I look forward to the Minister's problems—sorry, the Minister's comments *[Laughter.]* He certainly has enough problems, that's for sure. In all this, it is important that we take into account the fact that, somewhere, we have to price for risk.

Mr Christopher Chope (in the Chair): Justin Tomlinson, you have two minutes.

12.8 pm

Justin Tomlinson (North Swindon) (Con): I will be exceptionally brief. My huge notes have been cut back dramatically, and I will focus on one point. First, I quickly pay tribute to the hon. Member for Walthamstow (Stella Creasy) for both this crucial debate and the ten-minute rule Bill, the thrust of the arguments of which I support. So, there is cross-party support.

I want to concentrate on the important element of financial education. It is essential to provide financial education to equip people to make informed decisions. Working with the national financial education charity, the Personal Finance Education Group, and Martin Lewis of www.moneysavingexpert.com, I am launching an all-party group on financial education, with a focus on securing compulsory financial education in schools. It will launch on 31 January. This is a very brief plea to all Members who are still in this important debate to come and join the group, so that we can help future generations to make informed decisions.

Andrew Percy (Brigg and Goole) (Con): It is really important to get financial education into our schools because one of the big problems with things such as credit unions is that people do not understand what they are. Banks come into schools, but we do not know about the whole range of the market.

Justin Tomlinson: My hon. Friend makes a really important point. According to a survey carried out by the Nationwide Building Society, 91% of people who got into financial difficulty said that if they had had better financial education, they might not have made the decisions they did. The number of people who think that a higher APR is better than a lower one is worrying, and reinforces the point that financial education is absolutely essential.

12.9 pm

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I join others who have spoken in commending my hon. Friend the Member for Walthamstow (Stella Creasy) on securing the debate and how she introduced it, and for her ten-minute rule Bill of a week or so ago, which others also referenced. She has done a huge amount of research and has made a powerful case for smarter regulation. She and others focused on the impact on some of the most vulnerable in the various communities we represent of access to finance going wrong, and the associated issues.

My hon. Friend highlighted three specific issues that she wanted the Minister to include in his Department's review. The first was to consider regulation of the total cost of borrowing and how much interest different financial products can carry. She pointed to experience across the European Union and north America, where similar measures have been introduced. She referenced the need for a levy on those who sell credit to pay for debt counselling and advice services, and she pushed for increased accessibility of credit union services and their integration with the Post Office.

Chris Evans (Islwyn) (Lab/Co-op): I have just watched the "Jeremy Kyle Show"—I do not want to recommend that to anybody and I cannot believe that I have admitted it in a Westminster Hall debate. During the adverts, a company called Wonga was advertising same-day loans with an interest rate of 2,400%. Is it responsible for advertising companies to allow such adverts to run?

Mr Thomas: I will not comment on my hon. Friend's television viewing habits, other than to say that I know he has raised concerns about the activities of Wonga, and I will come on to that. It is an interesting company in the consumer credit field for a slightly different reason, which I shall come to later.

I join my hon. Friend the Member for Walthamstow in asking the Government to consider including the issues that she raised within the review of the consumer credit sector, and I do so in a spirit of welcoming their review of consumer credit.

Damian Hinds: There seems to have been a tiny bit of confusion earlier about the nature of the review to which the hon. Gentleman refers. I think I heard suggestions that it was restricted to credit and store cards only, but the call for evidence was much broader, as he knows.

Mr Thomas: As the hon. Gentleman says, there has been a broader call for evidence. I hope the Minister will use the debate to call for further evidence about, and embrace, the areas that my hon. Friend the Member for Walthamstow championed in the debate and in her ten-minute rule Bill.

Stella Creasy: I am sure my hon. Friend will agree that it is one thing to ask the question, but the challenge is to set out that the answers will be listened to. The Government have, so far, only formally committed to looking at the cost of borrowing on credit and store cards in the remit of the credit review. They might be asking for evidence on the broader credit market, but there has been no equivalent firm commitment. The hon. Member for East Hampshire (Damian Hinds) is shaking his head, but I can show him the details on the BIS website; it is outlined clearly. The Government are looking at the interest rate cap on credit and store cards only, and I am specifically asking for the review to be expanded to cover all forms of lending, so that it looks at the market for the poorest consumers.

Mr Thomas: I trust that the Minister will clarify his intentions on that. The review should look at the three specific issues that my hon. Friend the Member for Walthamstow raised.

The hon. Member for East Hampshire (Damian Hinds) made an interesting speech extolling the importance of credit unions—as did my hon. Friend the Member for Walthamstow—as a crucial alternative to some of the most costly parts of the consumer credit industry. He said, rightly, that the issue is not new, but the market is continuing to change. He also raised the issue of the importance of education, as did the hon. Member for North Swindon (Justin Tomlinson), whose initiative in setting up the all-party group I commend.

The hon. Member for East Hampshire alluded, I think sympathetically, to considering how to regulate the worst excesses of the market. He made the important point that the consumer credit industry, as part of the financial services industry, plays a crucial role in helping our economy to function effectively; nevertheless, there is genuine concern about some activities of the most controversial part of the consumer credit industry, that which provides pay-day loans.

As others have touched on, it is crucial that we consider access to affordable credit beyond the consumer credit industry, such as through credit unions and community finance organisations. The issue is about not only financial education in schools but access to financial education and assistance outside the school environment through debt advice services, and about how we bear down on illegal activity such as loan sharking.

Justin Tomlinson: On giving access to debt advice, my constituency office is working with debt agencies to train our staff, and me, in how to give the right advice. We are also working with local media to communicate constructive advice ahead of the festive period, which is a particularly risky time for people making financial commitments.

Mr Thomas: I commend the hon. Gentleman's work on that, and I hope he will bring his experiences to his all-party group so he can share that good practice with others.

There were important contributions from the hon. Members for North West Leicestershire (Andrew Bridgen) and for Crawley (Henry Smith), from my hon. Friends the Members for East Lothian (Fiona O'Donnell), for Clwyd South (Susan Elan Jones), for Halton (Derek Twigg), for Leeds West (Rachel Reeves) and for Darlington (Mrs Chapman), and from my right hon. Friend the Member for Tottenham (Mr Lammy). My hon. Friend the Member for North West Durham (Pat Glass) made an important speech focusing our attention, rightly, on concerns about illegal loan sharking, which I want to come back to in a second. The hon. Members for Gloucester (Richard Graham), for Solihull (Lorely Burt) and for North Swindon also contributed.

My hon. Friend the Member for Walthamstow and the hon. Member for East Hampshire drew attention to the work of the previous Government in reforming the Consumer Credit Act 1974 and introducing the Consumer Credit Act 2006. It is time to look again at the definition of "unfairness" that sits as the heart of the 2006 Act to see whether it addresses the concerns of those championing reform of the 1974 Act. We need further action to tackle loan sharks, who continue to operate despite the activity of teams across the UK dealing with illegal moneylending. We also need to look at how to expand access to credit unions.

Richard Graham: Will the hon. Gentleman give way?

Mr Thomas: Forgive me but, given the time, I will not.

The hon. Member for East Hampshire raised the question of access to social fund loans, which are another important source of short-term lending for those in difficulty. The previous Government decided to increase the amount of social fund loans available, and it will be interesting to hear what steps the Minister's

Government plan to take on that. The previous Government also acted to increase pressure on businesses regarding how debts were collected and interest rates levied, due to considerable concern about how they were operating.

I shall end with questions to the Minister. Consumer Focus, which I understand is to be abolished, has called for reform of the pay-day lending market. It has specifically called for the number of loans taken out or rolled over to be limited to five per household, and called for the development of an industry code of practice. My hon. Friend the Member for Islwyn (Chris Evans) raised the activities of Wonga. He may be interested to know that it has developed a code of practice, and I will be interested to know what the Minister thinks about it, and whether he thinks there is merit in the industry doing more in that area.

I hope the Minister will explain the Government's intentions for the consumer advocate, and whether it will have a role in regulating unfairness. Will he explain how the Consumer Protection and Markets Authority will take over responsibilities for consumer credit from the Office of Fair Trading? Lastly, will he explain what the future holds for the growth fund and the financial inclusion fund? Both have done much to fund the expansion of access to credit unions and debt advice and, as a result, have provided substantial help to many extremely vulnerable people.

12.20 pm

The Minister for Universities and Science (Mr David Willetts): We all wish to thank the hon. Member for Walthamstow (Stella Creasy) for securing this important debate. She made clear her views about loan sharks—even more so when she tweeted a message to me which, if clicked on, plays the "Jaws" signature tune. We know where she stands, and during the few minutes available, I hope to respond to the specific points that she raised. I also want to comment on the excellent speeches made by my hon. Friends the Members for East Hampshire (Damian Hinds) and for North Swindon (Justin Tomlinson), and the hon. Members for North West Durham (Pat Glass), for Solihull (Lorely Burt) and for Harrow West (Mr Thomas).

Sadly, time is tight, so I will go straight on to some of the points that were raised. I am sorry that the Under-Secretary of State for Business, Innovation and Skills, my hon. Friend the Member for Kingston and Surbiton (Mr Davey), cannot be present, but he is involved in the Committee stage of the Postal Services Bill. As part of the development of our policy on postal services, we have published a document to secure the post office network in the digital age. The hon. Member for Walthamstow will have the opportunity to pick up a copy from the Vote Office, but let me draw her attention to paragraph 53 on page 24, which states:

> "We are firmly supportive of a stronger link up between Post Office and credit unions and are actively looking into ways the two can work more closely together. Credit union current accounts holders can already access their accounts at post offices through arrangements with the Co-operative Bank, and it is estimated that...almost 80,000 Credit Union transactions have been carried out in post office branches."

We understand the importance of the links between credit unions and the Post Office, and we have made a commitment on that.

The hon. Lady also asked about a levy to fund credit advice, but that is not a straightforward matter because one would have to consider on whom the levy should fall. Should it fall on credit unions? The Consumer Financial Education Body is part funded by credit card providers and other credit providers, and before we go down the route of a levy, we should await the results of our wider debt review, which I shall say more about in a moment.

The hon. Member for Harrow West asked about the consumer advocate and the consumer landscape review. Following the changes to the consumer landscape announced by the Secretary of State on 14 October, we are still considering the options. The previous Government launched a consultation on that issue, so we are not able to provide a response to that point at present.

Given the level of concern among all parties, I would like to report on changes that are already under way, which go back to the previous Government. Those changes, which will offer significant new protections for borrowers, include a new cooling-off period that will allow the consumer 14 days to withdraw from any credit agreement, a need for adequate explanations to be provided to any consumer when taking out credit, and a requirement for someone to undertake a creditworthiness assessment before any loan is made. Those changes will benefit consumers.

Let me turn to the focus of the debate: the consumer credit and personal insolvency review. A call for evidence was launched on 15 October. My hon. Friend the Under-Secretary is leading on that review and working closely with the Financial Secretary to the Treasury.

The review focuses on three key issues, the first of which concerns helping consumers and lenders to make better borrowing and lending decisions because we think that more can be done in that area. Secondly, consumers and lenders should increasingly manage existing borrowing in the long-term interest of the consumer, so we want a regulatory regime that encourages consumers to manage their level of borrowing over time and limits the scope for people to be unfairly penalised for events beyond their control. Thirdly, people in difficulties should be able to access the most appropriate debt remedy.

Chris Evans: When I visited a branch of Lloyds TSB recently, I was told that a major problem was that if good customers get into a dispute, for example with a mobile phone company, and a county court judgment is imposed on them before the dispute is resolved, their credit rating can be messed up. Do the Government intend to review that situation?

Mr Willetts: Such abuse needs to be included in the review.

In the remaining few minutes available, I shall try to reassure hon. Members about the way in which the review is being conducted. First, we know that we must engage with specific issues, such as advertising. The existing rules on advertising do not address some of the softer issues concerning the way credit is advertised, so we wish to examine that. Impulse buying on store cards is another key issue that will form part of the review. In addition, the coalition Government are concerned that some charges levied by banks, particularly for unauthorised overdrafts, may make it difficult for consumers to keep control over their finances. The review will also cover

[Mr Willetts]

interest rate caps, which we recognise as perhaps the most controversial issue touched on in today's debate. We are concerned that the APR on some store cards can average 26%. Despite the fall in the base rate of interest since 2008, there seems to have been no comparable fall in rates on store cards.

The hon. Member for Walthamstow asked about other terms for the review. We have asked for evidence on a specific number of issues, so if people, including hon. Members, believe that we have not flagged up a problem that needs to be addressed, they should provide evidence of that problem to the review and state how it should be identified. The coalition agreement specifically mentions the issue of an interest rate cap on credit and store cards and that of a cooling-off period. Those are specific coalition pledges, which is why they are top of the list in the review, but there was no intention to exclude other subjects from the consultation should hon. Members, or other concerned people, wish to provide evidence of problems to be included.

Stella Creasy: Is that a yes? If we provide evidence that there needs to be action on interest rates charged across the board, including for pay-day loans, home credit markets and hire-purchase agreements, will the Government look at that evidence, act and include the matters in the credit review?

Mr Willetts: It is certainly an undertaking that if people, including the hon. Lady, come to us with evidence of a problem, we will consider that as part of the review. Obviously, we cannot commit the Government to act because that raises a host of further issues. If there were time, I might have repeated for the benefit of Opposition Members the details of at least three separate studies on interest rate caps that were commissioned by the previous Government. They all concluded that there were strong arguments against such caps, including the danger that people would become more dependent on loan sharks. We are aware of the evidence from the 2004 study, the 2006 inquiry into competition and, most recently, the OFT review. We are not committed to such measures because of our concern about people becoming dependent on loan sharks, but we will certainly consider the evidence. If the hon. Lady, the hon. Member for Solihull—who has a track record of being concerned about this issue—or any hon. Member would like their evidence to be considered, they should submit it to our review.

I assure the hon. Member for Walthamstow that I and the rest of the Government appreciate the many concerns about the availability and consequences of consumer credit. When used sensibly and responsibly, credit is a tool for coping with life's uncertainties, but this is an area in which we must gather evidence before we introduce new rules, because we otherwise risk unintended consequences. That is why we have launched our call for evidence, and it is why I welcome today's debate.

UK Film Industry

12.30 pm

Richard Harrington (Watford) (Con): I am honoured to be here, as people always say, but I am honoured in particular because this is my first Westminster Hall debate—and under your chairmanship, Mr Chope, which is much appreciated. I thank Mr Speaker for selecting me for once. It is a great honour. I suspect that there was no one else for the lunchtime slot, but one never knows.

I am here today to talk about taxation, and taxation to do with the British film industry in particular. I have a specific film interest in my constituency, which is the base for Leavesden film studios—recently acquired by Warner Brothers and, even now, one of the most successful film studios in Europe.

As I am sure the Minister is aware, Warner Brothers announced yesterday an investment in excess of £100 million in finally acquiring and developing the site. For the record, most people in this country are highly delighted that what has been Watford's little-known secret—the filming of the Harry Potter films in my constituency, which has been going on for quite a few years—is now formalised. I have not yet been offered a part in the films, but I have had a close relationship with Warner Brothers, as the Government have—the managing director has met with Ministers several times in the past few weeks.

The value of the film industry to this country is significant. People might not be aware, but it directly employs about 36,000 people. If we include the multiplier effect, which studies do, 100,000 people derive their income from the film industry. The taxation commensurate with that is significant. The industry provides about £1.6 billion in direct revenues to the country and £440 million in taxation.

The industry is very significant, with highly skilled and highly paid workers—everything we are looking for in an industry in this country. It has weathered the recession quite well, unlike many other businesses, and production activity is pretty good, I am told.

We rely extensively on inward investment, which is what I want to talk about today.

Andrew Griffiths (Burton) (Con): My hon. Friend is a doughty champion for the British film industry and he has already articulated its importance culturally and economically. It is a vast employer that brings a huge amount of investment and a lot of jobs to this country. Will he, therefore, join me in expressing some surprise that not a single Opposition Member is present—no shadow Minister or Labour politician to speak on behalf of the British film industry.

Richard Harrington: My hon. Friend makes a good point, as ever. Given the importance of the industry to this country, I had hoped that Opposition Members would be present. However, avid readers of *Hansard* they may be, so I am sure that they will be able to catch up in the morning.

Mr Christopher Chope (in the Chair): Order. It is important to point out that this is a half-hour Adjournment debate, and it is not normally possible for Members

other than the Member who secured the debate and the Minister responding to participate without having gained the consent of those people. Therefore, saying that Mr X or Mr Y is not present is not really a good point, because in a half-hour Adjournment debate people who could not participate would not normally be expected to attend.

Richard Harrington: Thank you, Mr Chope, but I ought to explain that I mentioned to the Minister whom I thought would be present—my hon. Friend the Member for Faversham and Mid Kent (Hugh Robertson), who told me that he would be here—the fact that I thought there would be one or two interventions. I hope that has not caused offence to the Chair, and thank you for the clarification.

The first item of which people should be aware is the current taxation, which is a producer film relief for companies making films that qualify in the UK as British films. The relief is in place, and the industry supports it and hopes that the Government will leave it in place. My understanding is that the industry has made suitable representations to the Secretary of State and that that will be the case, although I hope for clarification.

The taxation position, however, has been complex. In 1997, when the Labour Government came to power, they decided to reward what some would say was the electoral help of media "luvvies"—but I am not one of those. Some would say that there was a lax film taxation regime, allowing high-net-worth individuals to get 100% tax credits for investing in films. That situation was, I think it is fair to say, abused by the tax avoidance industry, rather than by the film investment industry. To quote Charles Fry of Pinder Fry, a legendary accountant in this field:

"The fact that we're investing in films is irrelevant. If we could get the same tax relief investing in cauliflowers, we'd do it."

To mix my metaphors, there was a chink of light and that industry drove coach and horses through it. The end product was that in 2006 the previous Government pulled down the drawbridge—to use another cinematic analogy—and cut off the tax break for investor funding for high-net-worth individuals.

The vehicle left was the enterprise investment scheme, which is quite well used but very much on a small scale. The average investment through the EIS is between £5,000 and £10,000, so it is a good way to get small investors. However, small films are the type that tends to be funded. While they are very useful, the fact is that, while we have amazing facilities in this country and all the infrastructure, we are providing a vehicle mainly for foreign investors to do their production here while the profit, quite understandably, returns to the investors, who are abroad. Today, I am speaking to the Government about how we need to achieve a situation in which British investors can invest in British films tax efficiently.

What we need to understand about the British film industry is that the budget for a film is now about £1.5 million—the average, median cost of a British film. It was £2.9 million in 1993. With due respect to some fantastic operators, we have gone down to a kind of cottage industry.

To give an example, Mr Martin Carr, who has given me some excellent evidence from his company Formosa Films, explained to me that it is a question of finding many investors to do one film. Films have 600 or 700 investors putting in small amounts of money. While that is obviously useful in employment terms and in benefit to the economy, we have the facilities and capabilities to do much more.

Mike Weatherley (Hove) (Con): I congratulate my hon. Friend on securing the debate. Does he agree that one of the biggest threats to the film industry is piracy? While I welcome the Gowers report and the Digital Economy Act 2010, we could do many things to improve the Act. That should also be addressed by the Government.

Richard Harrington: The Oxford Economics study, which was commissioned by the film industry last year, proved that very point. Piracy and the infringement of copyright are the major reasons why money disappears from the system and why film makers are not getting the benefit of any of their films. In many cases, that is a criminal matter and the Government will have to make progress on it—like shoplifting, it is theft, and just like any other crime.

What I am really talking about, however, is how we create an independent film industry in which the vast number of high-net-worth individuals who will take risks can have a vehicle to invest in. What went wrong last time was that clever accountants came up with a device whereby schemes were risk free. People were doing sale-and-leaseback schemes. We are talking about not risky films—everyone knows that films are risky and that people either make or lose a fortune with a film—but series of television programmes that were pre-sold to television companies, so there was no risk at all. Accounting firms were making use of the provisions, which really ruined things for genuine film operators, who are now spending all their time making presentations all over the country to get investors to invest small amounts.

There is no question but that films are risky. In this country, we have a tradition of people investing in one film, which comes from the days of theatre angels, who would invest in a particular west end play. However, serious private investors need a vehicle that bunches a group of films together, because some films obviously work and some do not. People can make a very risky investment, for which they will get some tax relief, and there will be huge benefits for the country in employment and everything else. That is what I am asking the Minister for. A working party should be set up. I and people in the industry would be happy to take part, along with the Treasury and Her Majesty's Revenue and Customs, to see whether a suitable vehicle could be devised.

Neil Carmichael (Stroud) (Con): This is an important debate. Small businesses in my constituency are involved in film making. Like my hon. Friend, they have made the point that tax is the important issue, but there are other factors. One is simply creating the right environment for investment in the sector, and I would be grateful to hear what the Minister has to say about that. For example, there are the links that small producers have with the BBC and with other small producers. A feel-good factor encourages the right kind of investment, and we need to attract people to these high-profile industries, which also produce a lot of export work.

Richard Harrington: My hon. Friend makes a good point.

I should also mention lottery funding, although I am referring not to charitable or community-based assistance, but to a serious vehicle for serious investors. I know that my hon. Friend the Minister is besieged by people wanting handouts. I have spoken to the Treasury about this issue, and I am talking about not a handout, but something that would be hugely beneficial to the country economically—all the evidence is there.

Angie Bray (Ealing Central and Acton) (Con): I am lucky enough to represent Ealing Studios, a very long-standing and famous set of film studios, and I agree with what has been said this morning. In America and Hollywood, there is so much money that people can afford to plan 10 years ahead. They know that a couple of the films that they take on will be duds, but they can afford to carry the duds because they know that somewhere in the mix there will be at least two or three films that make them a sensational fortune. What is it that they get so right over there that we need to look at so that we get it right here? We need a big enough investment and a big enough group of people who can plan ahead and take a couple of duds on the chin, but who can get the good films going as well.

Richard Harrington: My hon. Friend makes an extremely good point that goes to the nub of my argument.

For once in this country, we have all the infrastructure. We have studios such as Ealing, Pinewood, Shepperton and Elstree. Of course, no one would dispute that the Hollywood of the UK is Watford and Leavesden, which makes some of the lusher, more tree-lined roads in Watford very much akin to Beverly Hills.

Jason McCartney (Colne Valley) (Con): I congratulate my hon. Friend on securing the debate. There has been a lot of talk about south of Watford, but I want to stand up for Yorkshire and the north. Probably one of the most successful British films of recent years was "The Full Monty", which was filmed just down the road from me, in Sheffield, and I remember going to see it at Penistone picture house. However, my constituency has also hosted two long-running television series, which shows our expertise in film, with all the crew who were involved. We had "Last of the Summer Wine" in Holmfirth, which ran for more than 30 years, and the ITV drama "Where the Heart Is" in Slaithwaite. We have lots of wonderful skills—not just in the television industry—and it is important that we keep them employed in this country. Indeed, if we go on holiday to New Zealand or other English-speaking countries, we find that they also love our dramas, so this really is a good industry for us. Well done to my hon. Friend for securing the debate.

Richard Harrington: I greatly appreciate that point. Everything that is made in Colne Valley, and every television programme and film that is made, shows research and development working on the spot. A lot of the world-class facilities that this country has developed for graphic arts and special effects have come from films, rather than from laboratories or other fields.

There is a compelling argument here. The Government have done an excellent job on the film producer credit, which the industry is grateful for and which works, but we should look carefully at creating an industry that is British financed and British made, and whose profits remain in Britain. Thank you very much for your time, Mr Chope.

12.45 pm

The Parliamentary Under-Secretary of State for Culture, Olympics, Media and Sport (Mr Edward Vaizey): It is a great pleasure to serve under your chairmanship for the first time, Mr Chope. This is perhaps a poacher-turned-gamekeeper moment for you, and I hope you will not take too many points of order during what remains of the debate.

I congratulate my hon. Friend the Member for Watford (Richard Harrington) on a stunning debut in Westminster Hall and on bringing the success of the UK film industry to the attention of the House. He talked knowledgeably about the film industry and some of its technical details, which does not surprise us at all, given that he is the vice-chairman of the all-party group on the film industry and the hon. Member for Watford/Hollywood.

I also thank all other hon. Members for their valuable contributions. My hon. Friend the Member for Hove (Mike Weatherley) talks so much about piracy that he should perhaps take a starring role in "Pirates of the Caribbean 4"—a £200 million film being filmed in the UK. He is extremely knowledgeable and has, indeed, worked in the film industry. My hon. Friend the Member for Ealing Central and Acton (Angie Bray) represents the highly successful Ealing Studios, which are run by Barnaby Thompson. My hon. Friend the Member for Stroud (Neil Carmichael) made an important point about film. My hon. Friend the Member for Burton (Andrew Griffiths) helpfully pointed out that not a single Labour Member could be bothered to come to the debate. My hon. Friend the Member for Vale of Glamorgan (Alun Cairns) has not spoken, but his presence simply illuminates the debate, and I take this opportunity to congratulate him on his strong campaigning on behalf of S4C, another broadcaster whose future the Government have stepped in to secure.

My hon. Friend the Member for Watford began by noting the investment by Warner Bros in Leavesden Studios in his constituency. The studios are quite a well-kept secret in the United Kingdom. They are the place where all the Harry Potter films have been made and have, therefore, been responsible for a massive amount of inward investment into this country. Yesterday, Warner Bros announced that it was going to invest £100 million in Leavesden to make it the only major US studio outside Hollywood, so my hon. Friend's remark about Watford being the Hollywood of the UK was in no way facetious. That announcement is a real milestone and a fantastic vote of confidence in the UK film industry.

The success of the UK film industry is built on a number of factors. We are, for example, the third-largest cinema-going nation in the world, but we also have a huge range of technical expertise. When my hon. Friend talks about the number of jobs that are directly related to the film industry, it is worth remarking that we have built a highly successful film industry that is fit for the 21st century on the back of the success of the tax credit and the inward investment from Hollywood studios. That includes elements that we might not necessarily

consider as part of film, such as the computer graphics industry and world-class companies such as Double Negative Visual Effects, which provide visual effects to the film industry. That is another reason why so many people want to make films in Britain. My hon. Friend also mentioned Pinewood-Shepperton, and it is instructive that the studios are full at the moment. People who want to bring films to the UK are having to negotiate for space with that highly successful organisation.

It will not have escaped the attention of my hon. Friends—I can say that, as all Members in the Chamber are Conservative—that the film industry has been somewhat in the news because of my Department's decision at the end of July to announce the abolition of the Film Council. One film director said that it was akin to abolishing the NHS. However, as the dust has settled it has become apparent that we took that difficult decision because we wanted to ensure that as much money as possible went to the film industry itself and that we spent as little as possible on overheads.

We will shortly be making an announcement on the future structure of support for the film industry. However, the decision to abolish the Film Council in no way reflected on its leadership. It was superbly led, and is still led, by Tim Bevan, its chairman; and was superbly led by its recently departed chief executive, John Woodward. I pay tribute to John Woodward; having been on the front line of the British film industry for 15 years, both in the British Film Institute and the Film Council, he can take a large part of the credit for the success that we currently enjoy.

Nevertheless, there have been some bumpy rides along the way. My hon. Friend the Member for Watford pointed out that the film tax credit lost its way in the mid-noughties, and that it was seen more as a tax avoidance scheme than a way of investing in the British film industry. I am glad to say that it now works incredibly effectively, and is the main reason for inward investment. We have made it absolutely clear that we guarantee its continuation. The scheme has to be approved.

Alun Cairns (Vale of Glamorgan) (Con): I am grateful to the Minister for giving way. I congratulate my hon. Friend the Member for Watford (Richard Harrington) on securing the debate. We are talking about inward investment in the UK film industry, but does the Minister recognise the fact that the industry is UK-wide and that we should not focus on any one region? Every nation and region of the UK can play its full part in film-making; it can be an effective way of spreading prosperity away from the south-east of England.

Mr Vaizey: My hon. Friend is quite right. His intervention further illuminates the debate by ensuring that I put on the record the huge success of the Welsh film industry, Welsh television productions and the Film Agency for Wales, and the way that Wales is forging ahead with its digital agenda—no doubt ably supported by my hon. Friend, who is a strong voice for Wales in the House.

The film tax credit is due to expire, on a technicality, on 31 March 2012. If anyone is worried by that statement I can tell the House that, as part of the European state-aid rules, we are required to re-notify the European Commission that we intend to continue implementing it. Officials have already begun the process of ensuring that the system continues beyond 31 March 2012 and is cleared again without a gap.

The film tax credit stands at the heart of inward investment, and I pay tribute to the team currently residing in the Film Council that implements the tax credit, dealing with the nuts and bolts and ensuring that the t's are crossed and the i's dotted. Those people do a superb job. I hear again and again from the film industry—this is perhaps for the team's benefit—that instead of saying, "The computer says no," it says, "How can we help?" That is to be commended.

There is another strand that supports British film, particularly those films with an essentially British content—national lottery funding. I am delighted that the Government decided to increase significantly the money available from the lottery for the production of UK films. The total sum available, which includes an element for training, will rise to £40 million in 2014; that is a 40% increase. Because of our decision to rationalise the bureaucracy that supports film in the UK, a far larger proportion of that money will go directly to supporting the British film industry.

It is worth pointing out that, as well as the £40 million that will eventually be available from the national lottery and the £100 million or so from the tax credit, the British film industry is supported by BBC Films and Film4. I was delighted to hear Film4 announce recently that it would increase its investment in film from £10 million to £15 million a year for the next five years; that is a 50% increase every year for the next five years. That decision, too, was taken after we announced the abolition of the Film Council. It is a huge vote of confidence in our film industry.

Sadly, one gap remains. I note that Sky now has 10 million subscribers. I hope this successful British broadcasting company will follow the lead of BBC Film and Film4 and establish its own film fund. I am sure that, in a 10-minute conversation with Sky, my hon. Friend the Member for Watford could explain that with the tax credit, the ability to leverage in private investment and possibly the ability to gain lottery funding, a small financial commitment could see substantial British films being made in this country.

As for direct grant in aid, the Government will be putting in about £73 million over the next four years. That includes our support for the British Film Institute. The institute is another important element in preserving our film archive and heritage, but it also promotes British film, particularly with the highly successful London film festival, which garnered a lot of attention this October and brought many film financiers and investors to London.

We also want to ensure that we are known in the world. We have a highly successful British film commissioner in Los Angeles, who helps with inward investment. He is aided by Film London, ably led by Adrian Wootton, and I put on the record my commendation of his work. Pinewood is expanding, with Pinewood Toronto studios becoming a leading production facility for film and television in Canada. We intend to work closely with UK Trade & Investment to ensure that British film has a presence throughout the world.

A side effect of our decision to abolish the Film Council is our wish to establish a more direct relationship with the British film industry. I was pleased to announce recently that we are to have a biannual ministerial forum on film, where all elements of the British film industry can discuss important matters with Ministers.

[Mr Vaizey]

The key thrust of my hon. Friend's excellent speech was that we need to build a sustainable British film industry. We want to take it, as it were, beyond the cottage-industry state. It is a highly successful industry that makes excellent films, but the perennial question—the gold at the end of the rainbow—is how to make it sustainable. It is difficult to replicate the US model, which integrates distribution and, with the huge amount of capital that is available, allows investment in a slate of films. However, we shall not take our eye off the ball.

We need to consider a number of the imaginative measures that have been proposed. The Producers Alliance for Cinema and Television proposes what it calls a lot-box; the key to its proposal is that producers should keep some of the intellectual property in their films. Too often, it is given up in order to raise private finance. We need to consider imaginative proposals on leveraging private investment on the back of the substantial money that is available from lottery funding. We must also keep close scrutiny on the need for a distribution model that works for British film, because without distribution the job of making a successful film is only half done.

The film industry in the UK is highly successful—one of the most successful in the world. We have a huge range of talent, not only in our brilliant actors but in our formidable technicians and fantastic world-beating companies. I am delighted to say that through our increase in lottery funding, our guarantee for the film tax credit and proposals that we hope to announce shortly, we intend to build on that success, maintaining and increasing it.

Food Security (Africa)

1 pm

Heidi Alexander (Lewisham East) (Lab): I will start my speech, although I am not sure that the Minister is yet here to listen to my remarks.

I am pleased to have secured my first Adjournment debate and to be speaking about food security in Africa. I declare an interest: in September, I was lucky to be part of a parliamentary delegation to Kenya that was organised and paid for by the all-party group for agriculture and food for development. I am pleased to say that one of my fellow travellers, the hon. Member for Calder Valley (Craig Whittaker), is in the Chamber. I plan to limit my remarks to 10 minutes in the hope that he and other hon. Members will be able to speak before the Minister responds.

My week in Kenya is undoubtedly one reason why I applied for the debate. I am not an expert on food security or on Africa, but I am, I admit, a child of the '80s. The television images I saw as a 10-year-old of starving children in Ethiopia made a deep and lasting impression. I have called the debate because I never want to see those images again, because emergency food relief has to be the last resort, and because I believe that Africa has the ability to feed itself and that we in the UK should be doing more to help African agriculture to realise its potential.

I also passionately believe that at a time when much of our political discussion is focused quite understandably on the state of our domestic economy, it is important that we all remember that there are 265 million people suffering from chronic hunger in sub-Saharan Africa. That is the UK's population four times over, and a third of the region's total population. Sadly, that number is set to grow by 2020, when it is estimated that, if current trends continue, half Africa's population will be affected. We must not let that happen.

I have come here today to ask the Minister to put tackling hunger and malnutrition for millions of Africans at the heart of his Government's fight against global poverty. I also come to remind him—although I hope that I do not need to—that the primary aim of our overseas development assistance must be to tackle the basic needs of the poorest people in the poorest countries, and to help them help themselves. I also come to say that while maternal health, access to family planning and the fight against disease are all vital, so too is investing in smallholder farmers, most of whom are women. Ironically, it is those smallholder farmers who are most likely to face severe hunger and malnutrition.

I also wish to ask the Minister to increase the UK aid that we spend on helping African farmers so that they can improve their harvests and the productivity of their livestock, to increase the amount of agricultural expertise provided by his Department within African countries, and to use our influence within the international community to ensure that African Governments honour the commitments that they made at Maputo in 2003.

I know that I have set out a long wish list, so let me tell hon. Members why I am convinced that refocusing UK and international efforts in this area could make a significant difference. The availability of adequate food of the right nutritional quality is fundamental to people everywhere. Undernourished mothers give birth

to underweight babies. Children who are malnourished in the first two years of life are at a much greater risk of ill health when they are older. How will a child learn if he or she is starving? How will the child's mother fight off malaria if she does not have a decent diet? How will women be empowered if they cannot feed themselves?

When I was preparing this speech over the weekend, I came across reports of fishermen in Malawi using malaria nets to secure their catches in Lake Victoria. If ever there were an example of the way in which food security underpins so many other development goals, surely that is it. If there were a ready supply of food in Malawi, I would suggest there would have been much more chance of the nets being used for their intended purpose.

When the all-party group visited Kenya in September, we met family after family who told us that while their livelihood was their land, that land often did not produce enough for them to live on. They are not even subsistence farmers; they are sub-subsistence farmers, and there are millions of them in Africa. Given the effects of climate change and more irregular rainfall patterns, there are likely to be many more in years to come.

The sad thing is that it does not have to be that way. The use of better seeds, appropriate fertilisers and access to basic knowledge about planting and irrigation can have a dramatic impact on yields. The current agricultural output in Africa, measured in tonnes per hectare, is less than the UK's wheat output in 1680. Better storage, cross-breeding of livestock and access to micro-finance can mean the difference between feeding one's children or not, and the difference between having a small surplus to sell at market or not. None of that is rocket science, yet there is a huge challenge in getting the basics right, and getting the best seeds and right sort of agricultural knowledge to the farmers who need them.

There are fantastic projects, however, that have the potential to be scaled up in a way that could offer real results. Take FIPS in Kenya—Farm Inputs Promotions Africa—a Department for International Development-funded, not-for-profit company, which, through a network of village-based, agricultural advisers, works with the private sector to get new seeds and fertilisers out to the farmers who need them. Take Farm Africa's dairy goat project in the semi-arid area of Kenya around Mwingi, which trains local people in the cross-breeding of goats to increase milk yields and resistance to drought. Better yields can not only feed the family but generate small amounts of additional household income, which creates a virtuous circle of economic activity.

As the recently published Montpellier panel report says, however, there is a "potentially dangerous gap" between a rich patchwork of on-the-ground activities, such as those I have just mentioned, and a "top-down global response" to addressing food security, which is characterised by much-lauded international conferences and big set-piece policy statements. Do not get me wrong: the pledges of large-scale funding at L'Aquila last year are welcome, but they must translate into real improvements in the lives of the poorest in Africa.

I hope that I have been able to explain why I feel that a focus on food security and agriculture in Africa is so important. I ask the Minister, in the light of what I have said, to consider increasing the proportion of bilateral aid spent on agriculture in sub-Saharan Africa to 10% of total DFID money spent there. According to a recent reply to a parliamentary question, the sum for agriculture in that area amounted to £51 million in 2008-09. I calculate that that is just 3% of UK bilateral aid for the region in that year.

Does the Minister agree with World Bank estimates that suggest that a 1% increase in agricultural GDP in Africa reduces poverty by three to four times as much as a 1% increase in non-agricultural GDP? Does he agree that agriculture would, therefore, fit neatly with his Government's desire to get as much bang for their buck as possible from their overseas development assistance? Will he tell me the position that the UK will be adopting on food security at the G20 summit in the next few days? Will he tell me how much of the £1.1 billion commitment made by the UK at L'Aquila last year has been disbursed in sub-Saharan Africa? Does he know how many of the staff his Department has working in Africa have agricultural training or experience? I understand that there is only one DFID employee with such a background in Africa, who is based in Uganda. I ask him to consider how that might impact on the delivery of the £1.1 billion of commitments. Has he thought about how such a lack of in-country expertise might have affected the offer that each of DFID's in-country teams have been asked to prepare as part of the bilateral aid reviews? If I were the Minister, I would not be too surprised if those returns were characterised by scant reference to agriculture as a route out of poverty, although perhaps he could reassure us. I appreciate that some of my questions are detailed and that the Minister might not be able to reply to all of them today, but these points are critical if we are to make 2010 the year in which we set the agenda for dealing with the fight against hunger in the decades to come.

If I may, I will leave the Minister with this thought. Investment in small-scale farming will help not only the rural poor. On the first day of our all-party group visit in September, we met a man called David, who lives with his three children in the Nairobi slum of Korogocho. His home is a two-metre by three-metre hut, edged by dirt tracks and foul-smelling gullies. David left the countryside because of family breakdown and because he was unable to feed his children. When he got to Nairobi, however, his life was no better. His saviour was, in fact, a cash-transfer project being run by Concern Worldwide and Oxfam. David's dream is now to own a piece of land to provide for his family. I could not help but think that if the right type of support had been provided to him and his rural community when it was needed, perhaps he and his family would not be trapped in the Nairobi slum in which they are today.

For millions of Africans, food security is not a fancy concept—it is a matter of life and death. I urge the Minister to do all that he can to address the challenge facing Africa and to use the UK's position as a world leader in overseas development assistance to ensure that this decade is the one when we really make a difference.

1.10 pm

Craig Whittaker (Calder Valley) (Con): I congratulate my colleague, the hon. Member for Lewisham East (Heidi Alexander), on securing the debate. I also congratulate her on her speech, which outlined the reasons why investment in smallholder farming underpins many of our country's development goals and why greater investment in agriculture could yield much wider benefits.

[Craig Whittaker]

At my last "meet your MP" public meeting in my constituency, I was asked why we are spending so much money on foreign aid when our own country's financial plight seems so dire. The answer is quite simple: foreign aid not only brings untold benefits to the recipient country and its people—when we do it right—and untold long-term benefits to our own economy and country, but produces a sustainable, stable foreign country that helps and grows itself, which in turn helps to make a safer and more secure world.

I want to expand on my comment about "when we do it right", because the hon. Lady highlighted several charities and non-governmental organisations that do some fabulous work in Kenya. I must also declare an interest, because on our trip to Kenya with the all-party group on agriculture and food for development, we saw not only the excellent examples to which she referred, but the fact that it is not always necessary to spend great deals of money to implement a change for the better. In the smallholder farming stakes, we saw an excellent project in Mwingi, where Farm Africa is doing some fantastic work with the cross-breeding of goats. We were told that a local goat produced a mere 80 ml of milk a day, but if it is cross-bred with one of the stronger breeds of goat, such as a British variety of goat or a German Alpine goat, it produces up to a litre of milk a day. If that cross-breed is then cross-bred further to 75%—that is a goat that is 75% of the stronger foreign goat and 25% of the local goat—the yield of milk goes up to a staggering 3 litres a day.

When that simple, low-cost exercise is carried out by local farmers, it helps them to become much more sustainable within the food chain, because they can sell their milk to hospitals for money that they can use to buy a variety of food to achieve a balanced diet. Furthermore, the resulting milk has tremendous effects by improving the nutrition of newborn children, and indeed their mothers. It is a real "win-win" situation, whereby a low-cost project empowers local people to strive towards sustainability and, eventually, to excel and become sustainable.

Our Government have a huge vested interest in the big society. We need look no further than British NGOs and charities to see examples of organisations that are living and breathing the big society on a daily basis. Through their volunteer programmes, they empower the people with whom they work to map out their own sustainable futures. The power, innovation, leadership and enterprise of our NGOs are absolutely second to none. The NGOs deliver with passion and genuine innovation for smallholder success, without the corruption and self-interest that we often see in national Governments. They are good at mapping out a sustainable future for smallholder farmers but they need help, both from ourselves and our partners.

For the first time in two generations, Africa has a real opportunity to achieve food and nutrition security through agricultural development. As the hon. Lady mentioned, the Montpellier report was published recently. It shows that, despite the fact that the international donor community started to pull out of agricultural development well over two decades ago, there is growing optimism in sub-Saharan Africa that the region can achieve its anticipated green goals.

Food security is a key intermediary outcome in the development process and we have seen a new and growing commitment from African countries to increase resources for agriculture and rural development to at least 10% of national budgets within five years. The challenge for our country, and indeed for our European partners, is how to help to co-ordinate those strategies and how to help to ensure that the momentum is sustained in terms of even greater commitment and funding by the key African and European partners.

The Montpellier report believes that we are well placed to take the lead and drive forward that change. It highlights three key areas that need urgent attention: sustaining the momentum, as I have already mentioned; reducing price volatility; and tackling chronic hunger. My main wish is that the Minister accepts the Montpellier report as a solid blueprint for real sustainable change and that the recommendations in the report, as well as the excellent work of our NGOs and charities in agriculture in particular, are incorporated within our aid programme to help eradicate chronic hunger in Africa for good.

One of the basic requirements in life is food. If we can drive forward our quest to empower people to become self-sustainable with food, the human instinct to survive, along with our aid to empower potential, will ensure that other basic requirements, such as education, health care and housing, will follow. It does not take a rocket scientist to understand that the key catalyst to a safer and more secure world is investment in agricultural development and food sustainability.

1.16 pm

The Parliamentary Under-Secretary of State for International Development (Mr Stephen O'Brien): I want to start by congratulating the hon. Member for Lewisham East (Heidi Alexander) on securing this debate on a very important subject, and on the powerful and passionate way in which she presented her argument. She also presented the context for any debate on food security, recognising the enormous range of challenges, of which food security is one. The question is how we achieve the critical balance between determining what will be most effective, and what will have most impact in assisting Britain to partner countries to help them graduate away from aid over time, simultaneously meeting the needs of the very poorest people in those countries.

I was delighted that both the hon. Lady and my hon. Friend the Member for Calder Valley (Craig Whittaker) had an opportunity to travel to Kenya with the all-party group on agriculture and food for development—there is no substitute for seeing things for oneself in order to bring these issues to life. To some degree, I have seen these things for myself, as I was born in Tanzania and partly raised and educated in Kenya. The scale of this issue is immense. More than 200 million people in Africa—more than one in four of the continent's population—suffer chronic hunger. Although Nigeria, Ghana, Rwanda and Ethiopia have all made significant progress in reducing hunger, many countries have made little or no progress and, frankly, some are going backwards. Levels of hunger in the Democratic Republic of the Congo have nearly trebled since 1990, and the levels in Burundi, Botswana, Swaziland, Zambia and Gambia have also increased due to conflict, rapid population growth, economic stagnation or HIV/AIDS. In the years to come, climate change and the scarcity of natural resources will add to the challenge.

The Government are determined to make faster progress in helping to reduce hunger. That is why, at the millennium development goals summit in September, we reaffirmed our determination to tackle malnutrition and to focus our efforts on "the first 1,000 days"—the period from conception until a child's second birthday—after which intellectual and physical damage from chronic under-nutrition is irreversible.

In doing so, we agreed to work with six major donors to co-ordinate and accelerate our work in countries with high levels of malnutrition. Ghana, Malawi and Uganda are among the first countries to request assistance to reduce under-nutrition rates, which will please the hon. Lady as she referred to a very good example of this type of work in Malawi. It is also why, soon after taking office, the Government reaffirmed our commitment to the L'Aquila food security initiative, which was agreed at the G8 summit in 2009. The agreement aims to increase food production in developing countries, make food more affordable for the poorest and most vulnerable, create wealth and lift the poor out of poverty.

The hon. Lady asked how much of the £1.1 billion in L'Aquila commitments have been spent so far. Although that figure is not yet available, we will certainly write to her as soon as it is. However, I can tell her with confidence that the UK will have met its commitments, which I hope reassures her. Within the G20, we have committed to improving food security by making agricultural trade and markets function more effectively and reducing food price volatility in order to protect those most vulnerable to food price increases.

Jeremy Lefroy (Stafford) (Con): I am grateful to the Minister for giving way, and I congratulate the hon. Member for Lewisham East (Heidi Alexander) on securing this debate. Does the Minister agree that one of the most important things that can be done for food security is to improve food storage facilities? On the ground, I have seen food go to waste many times simply because appropriate food storage was lacking.

Mr O'Brien: I defer to my hon. Friend's experience and expertise in such matters, as he has shown great commitment to them over the years. He is right. No supply chain can be managed without the ability to store foodstuffs and distribution points that make it accessible, particularly to the hardest to reach. He is right to emphasise that we should consider a well-designed, holistic approach to solving the big challenge.

Heidi Alexander: I would like to bring to the Minister's attention a fantastic resource in this country, the Natural Resources Institute, which I was lucky enough to visit during the past couple of weeks. Its researchers are working on technical solutions to some of those storage problems. I urge him to look into the work the institute is doing, as it holds some good potential solutions.

Mr O'Brien: The hon. Lady is right to highlight that. There is nothing more important than an evidence base and designing in what works to ensure that the programmes and resources being supplied in partnership to other countries have the greatest impact.

The point is well made. It also ties in with the hon. Lady's question as to whether Department for International Development personnel could include more agricultural technicians and professionals. I can confirm that we currently have more than one, which will come as some relief. A newly appointed senior economist in Tanzania used to be the head of the agriculture team in the policy division, and we are in the process of recruiting senior agricultural advisers for Rwanda and Mozambique. I am due to visit Mozambique before long and have been to Rwanda and Tanzania.

Early next year, the Government will publish a major new foresight review of the future of farming and food that will consider how the world can continue to feed itself sustainably and equitably over the next 40 years. I hope that the foresight review will have the opportunity to learn from the research and support that the hon. Lady mentioned. We expect its recommendations to influence a wide range of practitioners and policy makers.

I assure the hon. Lady that we are making a difference. In Rwanda, our work on land tenure reform is helping to underpin wealth creation and food security, particularly for women and girls, who drive it. In Malawi, our support for the Government's agriculture programme has helped farmers produce a maize surplus in each of the last four years. In Ethiopia, our support for the productive safety nets programme has benefited nearly 8 million people previously dependent on emergency aid. In South Africa, we are funding work on zero tillage technology that conserves soil, reduces water losses and improves yields. This year, our immediate assistance in response to severe food shortages in the eastern Sahel—she will have read about them—helped avert a major humanitarian crisis.

Increasingly, African Governments are giving agriculture higher priority, with support from the comprehensive African agriculture development programme, which we strongly support. The CAADP is leading to increased budget provision in the sector. Above all—I think this is the point the hon. Lady was hoping to elicit from me—it is an Africa-owned and Africa-led initiative. It aims to increase productivity by 6% a year.

As the hon. Lady knows, however, farmers do not work for this or any Government. Agriculture is a private sector activity, whether it involves subsistence farmers, smallholders—as my hon. Friend the Member for Calder Valley mentioned—or large-scale commercial farming. The bulk of the investment needed to ramp up productivity will come from the private sector: from farmers' own pockets, from banks and micro-credit agencies and from local and national investors.

That is why the Government are seeking to increase our engagement with the private sector. A new private sector department is being created within the Department for International Development, and we are working to encourage increased levels of responsible investment in all aspects of agriculture, including production, processing, transportation and retail. That will be recognised as the results of the bilateral aid review emerge. The results on food and agriculture are much more positive than was suggested, although the hon. Lady will not be aware of that, inevitably, as we have not yet been able to aggregate and publish them. We shall do so in due course.

Food security in Africa is high among my priorities. Since taking office, I have visited Rwanda, Uganda, the Democratic Republic of the Congo, Tanzania, and Sierra Leone, and I am off to Nigeria this evening. During my visits, I have seen what a contribution agriculture makes to combating poverty and hunger. It is also

[Mr O'Brien]

hugely important for empowering women, who provide much of the agricultural labour but control just a tiny fraction of the productive assets they need to support themselves and their families. That is why we have made it such a priority.

I am pleased that the hon. Lady was able to visit Kenya as a member of the all-party parliamentary group and to see for herself something of how food security works and should work. I hope she was able to see some of the projects that DFID, under the coalition Government, supports. Much of our work aims to ensure that new agricultural technology, which she was keen to highlight, is taken up swiftly by smallholder farmers, who make a substantial contribution to food production in Africa. Our cash transfer programme for Kenyan pastoralists has reduced the poverty of 376,000 people and had a clear impact on nutrition. That relates to the point about agriculture versus nutrition, which is often a false dichotomy but must be addressed. Increasing private sector investment is clearly important, but the ultimate prize is reducing hunger and malnutrition.

Roger Williams (Brecon and Radnorshire) (LD): I congratulate the hon. Member for Lewisham East (Heidi Alexander) on securing a debate on an issue that would have justified an hour and a half of debate, had we been given more notice. The Minister has highlighted the role that science will play in many such programmes; I am pleased that the Government safeguarded the science budget in the comprehensive spending review. How will the Department for International Development, the Department for Environment, Food and Rural Affairs and other Departments co-operate on science and consider how it can be delivered in Africa?

Mr O'Brien: The hon. Gentleman makes an extremely powerful point. The commitment to science can lead to an evidence base that gives us the confidence and sustainability to design the programmes that will have the greatest impact over time. That is precisely why holding on to our precious science budget in the comprehensive spending review was so important. He makes an equally important point: this is not just about a single Department's efforts, but must involve cross-Department working. We have a number of the inevitable committees and other initiatives. Importantly, I was talking yesterday to my counterpart at DEFRA about precisely such issues of food safety and how the expertise within DEFRA can be harnessed to ensure that the design of our programmes is even more likely to secure the impact and benefits of spending our money well, transparently and in areas of greatest need.

The hon. Lady asked for us to allocate a certain percentage to the issue. It is always more complex than calling for a simple amount within a budget to be allocated; clearly, trade-offs would have to be considered. I hope she will recognise that, as we go through the bilateral and multilateral aid review and, indeed, the humanitarian and emergency response review—coupled with the regional reviews, where there is a real opportunity to look at some regional sharing—she can look forward to seeing how we will aggregate the call for a greater emphasis on food, farming and agriculture with the nutrition elements.

I noted that the noble Lord Cameron—the leader of the all-party group on agriculture and food for development, of which the hon. Lady is a member—highlighted a particularly interesting point about Shujaaz FM radio, which I think all the team must have seen. Important evidence from such trips comes back to DFID, which we can incorporate into our thinking as we move forward, particularly as the foresight group will be reporting early next year.

I pay tribute to the hon. Lady for introducing the debate and raising the subject. I look forward to working with her and other hon. Members as we find the best way to support those concerned, particularly smallholder farmers, in playing a role in tackling hunger where it is most necessary to do so. We need to ensure that we do so on the basis of evidence and knowledge.

Government Policy (NEETs)

1.30 pm

Tony Baldry (Banbury) (Con): A number of right hon. and hon. Friends want to intervene during this debate. As I have told the Minister what I intend to say, I hope hon. Members will excuse me if I take my speech at a bit of a canter because that will, I hope, give colleagues the opportunity to intervene when they can. Given the interest in this topic, I slightly regret that I did not enter the ballot to have an hour and a half debate.

A report on young people not in education, employment or training produced earlier this year by the then Select Committee on Children, Schools and Families states:

> "We accept that the term 'NEET' is imperfect. In particular, its use as a noun to refer to a young person can be pejorative and stigmatising. It is, however, a commonly used statistical category, and—in the absence of an appropriate alternative—we have accepted it as a first step in understanding the issues."

A NEET is someone under 25 who is in employment for less than 16 hours a week and who is not in education or training. My constituency has two main towns, Banbury and Bicester. In September this year, 7.5% of Banbury's 16 to 18-year-olds—approximately one in 12 young people—were not constructively engaged in education, employment or training. Nationally, the Prince's Trust estimates that almost 15% of 16 to 24-year-olds in England are NEETs, which is around 874,000 young people. The Prince's Trust estimates that the cost to the state of young people who are NEET is £3.65 billion per year.

As hon. Members may know, in recent years, I have helped to establish job clubs in Banbury and Bicester and, earlier this year, we set up a working party involving those running the job clubs—including Jobcentre Plus and Connexions—to consider what more could be done to help NEETs back into education, employment or training. We also considered how to improve the NEET situation in future years and assist the 142 or so existing NEETs in and around Banbury.

I know my hon. Friend the Minister takes the issue seriously. He inherited a skills system that he has rightly described as over-complicated, over-bureaucratic, incredibly micromanaged and top heavy. He has observed that the previous Government went wrong by basing their skills policy on target-driven bureaucracy, failing to provide sufficient attention to community-based adult learning and effectively abandoning a generation of NEETs. However, during the work I have been doing this year, I have become concerned that a number of policy changes might have the unintended consequence of worsening the opportunities for less skilled and disadvantaged young people to move into further education or employment with training.

We need to consider whether returning the contractual relationship to the Young People's Learning Agency from councils has reduced local flexibility to provide what is needed post-16, and whether removing the ring fence from Connexions funding has put at risk the work needed to prevent NEETs. It is not possible for me to show in *Hansard* a diagram of what we are doing locally to try to prevent NEETs and to help existing NEETs. However, the simple fact is that Connexions is the gateway for existing NEETs and provides the signposting, engagement and intervention to help them. That is done through support with apprenticeships, engagement with things such as SKIDZ motor mechanics, work trials, personal advice, interventions, or through programmes such as the new projects in Banbury, including the very welcome new Prince's Trust programme. We need to ensure that Connexions can effectively undertake that work, because we should be in no doubt that the long-term cost to society of a youngster dropping out at 16, 17 or 18 is far greater than the money that would be spent in ensuring they have educational or training opportunities.

Anne Marie Morris (Newton Abbot) (Con): I am certainly grateful for the debate. The comments my hon. Friend makes about the costs are absolutely on point. I am sure he is well aware that the cost to the taxpayer is £97,000 per individual over their lifetime—some estimates put the figure at £300,000 if benefits are included. Does he therefore agree that such figures need to be borne in mind when the Government consider how to resolve this intractable problem?

Tony Baldry: I entirely agree with that point, which my hon. Friend makes extremely well.

Mr Andrew Smith (Oxford East) (Lab): I congratulate my fellow Oxfordshire MP on securing this important debate and on the initiatives he is pursuing in our area—I would certainly be pleased to support such projects. Does he agree that what these young people most need is continuing support in the form of advice, mentoring and the monitoring of progress? They need ongoing engagement with work-focused practical experience that can lead to a job, and some modest incentives to reward their progress.

Tony Baldry: I entirely agree with everything the right hon. Gentleman has said; he puts the matter in a nutshell very well. Do the current targets for retention rates on courses for further education colleges mean that they may be tempted to turn away applicants with poor school attendance records? That would effectively write off the already disadvantaged, and potentially create a group of long-term disengaged and unemployed young people with little possibility of improving their position. My impression is that, locally, people are working very hard to try to engage NEETs and get them back into education or training. However, that is not easy. By definition, NEETs have mostly decided to opt out or they have other difficulties—although it is important to recognise that young people who are NEET are not a homogenous group with the same issues, and that they are not even necessarily at the same stage of disengagement.

We also need to recognise that some groups of youngsters clearly have particular challenges. Mencap has sent me a copy of the detailed submission that it made last December to the Children, Schools and Families Committee. In that document, it makes the point that three in every 10 disabled young people aged 19 are NEET, and that a youth cohort study found that young people who recorded themselves as having a health problem or disability are twice as likely to be NEET as others.

When a young person is without or not in education, employment or training they require—as the right hon. Member for Oxford East (Mr Smith) said—support in many different ways. Of course, ultimately that support

[Tony Baldry]

may have little impact if an appropriate offer of employment or training is not available. I am concerned that the present system to provide further education perhaps does not provide a favourable environment for this group of young people. There seems to be a fundamental policy problem. If I understand matters correctly, that problem is money. Each youngster who stays on in school or goes to an FE college takes with them a pot of money by staying on at school or college to do A-levels or other training—their place gets funded. A NEET has effectively opted out of the system and receives no funding. Any organisation set up by the local authority or by anyone else to help NEETs get back into education or training also does not receive any funding. Those with the greatest need receive no funding and those trying to help them are left scrabbling around to find funding elsewhere. It might be worth considering some sort of system of NEET vouchers, so that if a youngster who is a NEET undertakes approved activity or enrols in an appropriate course, that activity or course receives some funding. Otherwise, it is difficult to see how we will break out of this NEET Catch-22.

It goes without saying that we need a name for programmes supporting NEETs that is sympathetic and has an overall project title—"Dealing with NEETs" clearly does not do it. We need a name such as "Youth Engagement," and the subject needs a brand. There will be those who say that one of the reasons why there are NEETs is that such people feel that they will not find a job. However, there is something of a chicken-and-egg issue here. The Prince's Trust has observed that the first concern for disadvantaged young people is often their need for money and a job, and the skills they want are those they need to give them a practical route to employment.

The Chartered Institute of Personnel and Development has observed that, despite financial difficulties and a reduction in vacancies, the majority of organisations remain enthusiastic about recruiting new talent. However, many organisations that require specific skills find that those are not being met by job candidates. The CIPD's recruitment, retention and turnover survey of this year found that two thirds of organisations report that a lack of necessary skills is a barrier to recruitment. It also found that a lack of necessary specialist skills was a greater problem for the manufacturing and production professions—76% of that group—than any other. If young people do not acquire skills, the reality is that they are unlikely to be able to access jobs.

Julian Smith (Skipton and Ripon) (Con): Does my hon. Friend agree with me that the Government's recent decision to add 50,000 apprenticeship places this year, and hopefully more next year, is a step forward regarding some of the issues he is talking about? Moreover, the Government are committed to moving away from programme apprenticeships, in which most of a young person's time is spent in the classroom, towards work-based apprenticeships, which are based around the workplace.

Tony Baldry: I think that the increase in apprenticeships is fantastic. The difficulty is that NEETs often need to improve their maths and English before they can access apprenticeships. There is sometimes a gap between where they are and where they need to be.

Ian Swales (Redcar) (LD): Although the increase in apprenticeships is extremely welcome, in many areas, including my constituency, one of the problems is finding enough employers who will commit to them. Does the hon. Gentleman agree that further education colleges should be given more licence to start apprenticeship programmes, with a view to finding employers perhaps after one or two years?

Tony Baldry: Employers are crucial to apprenticeships, and we all have a duty to encourage employers in our constituencies to take on apprenticeships. Those who engage with apprenticeships realise that it is actually a really rewarding thing to do. That has been demonstrated by a number of employers in my constituency who have taken on apprenticeships as a consequence of their involvement with the Banbury and Bicester job clubs.

As it happens, a number of substantial construction projects are about to start in north Oxfordshire, and I suspect that it would be daft for the developers to rush to recruit people from eastern Europe when they start to run into skills shortages. It must be sensible to liaise with those doing the construction and development work locally, so that they consider the extent to which they would be prepared to work collaboratively with the local FE college, Oxford and Cherwell Valley college, the Construction Industry Training Board and others. By encouraging young people training in the construction industry, they can start to grow locally some of the skills they will need.

I also understand that the bizarre situation exists whereby youngsters, once they have completed their construction skills training, are required to buy a certificate demonstrating they have the necessary competences, which costs about £200, but if they are under 18 Jobcentre Plus cannot fund that. It is slightly bizarre that young people who have acquired skills are unable to demonstrate that because they cannot afford the necessary certificate.

I am glad to say that in Banbury, with the support of Cherwell district council and the national affordable housing programme, we are staring a self-build scheme at Miller road for young people who are NEET. The scheme is unique in providing a blend of education and learning opportunities, to level 1 diploma standard, in construction for approximately 20 NEET young people so that they can improve their employment prospects and life skills development. When the houses are built, the young people will be re-housed in the completed scheme. It is hoped that that pilot project will demonstrate a model that can be replicated on other affordable housing developments. There are several partners in the scheme, including Cherwell district council, Sanctuary housing association, Southwark Habitat for Humanity, Oxford and Cherwell Valley college, Connexions and the children, young people and families services at Oxfordshire county council. The college has designed a bespoke course to meet the requirements of the scheme and is in the process of recruiting young people to the course. The intention is that work will start this month.

In short, that new affordable housing scheme will provide 10 rented units for young people, who will all participate in the building process and receive training from the FE college, leading to a level 1 diploma in construction, and 20 young people, NEETs, will be involved in the building process. I am sure we would have no difficulty in filling more such construction

apprenticeships, and there are other successful initiatives, such as SKIDZ, which encourages youngsters to learn motor mechanic skills that are now extremely difficult to fund.

There is clearly a need to keep NEETs engaged. They are often youngsters who, for all sorts of reasons, did not enjoy school or who do not want to try something new simply for fear of failing. As I understand it, Jobcentre Plus and Connexions run a red, amber and green coding system for NEETs: green is for those who are engaged and want to move forward, and red is for those who have simply dropped out. The predominant colour in my patch appears to be amber, verging on red, which suggests that for those who stay engaged there ought to be some incentive, such as the possibility of outward-bound adventure training, or even free swimming. They are young people, and research shows that if a youngster drops out as a NEET, over their lifetime in various ways they are each likely to cost the state and state agencies £1 million.

Jason McCartney (Colne Valley) (Con): I thank my hon. Friend for giving way—putting an amber light on his pacy speech—and congratulate him on securing the debate. Last week, I was honoured to be invited to present the school awards for Moor End technology college at Huddersfield town hall. The school has faced many challenges in recent years. For example, 27 different languages are spoken among its pupils. What really stood out was that the head teacher, Jane Acklam, who provides inspirational leadership, was proud to tell me that only one of the 150 pupils who left the school last year is currently a NEET. Does my hon. Friend think there would be any value in keeping such statistics coming, so that schools can retain some interest in what happens to the children after they leave at 16? That would bring an added motivation and could then link in with the colleges and the wonderful schemes he has mentioned.

Tony Baldry: The right hon. Member for Oxford East made the point that young people need support, and hopefully they will receive that from their schools during their school careers, but youngsters become NEETs for all sorts of different reasons. Time has prevented me from giving details—I have given them to the Minister—of young people in my constituency who are NEET for all sorts of reasons. They can be young mums, or they might have become offenders when they were younger. The reasons are not necessarily the result of the school's failure, but the fact is that a combination of different factors has caused them to disengage.

Rosie Cooper (West Lancashire) (Lab): Skelmersdale and Ormskirk college in my constituency is seen as an example of best practice. It offers very flexible programmes for NEETs, starting with early interventions for 14 to 16-year-olds. The point I really want to make is that the college might very well be penalised for its investment in its NEETs programme by disinvestment in the county council and by the Government's employment and support allowance regulations.

Tony Baldry: The point I made earlier, which I hope the hon. Lady heard, was that we must between us work out how NEETs who have dropped out get funded back into the system. There is a double whammy, because they have dropped out and are not getting money, so the organisations that are helping them have to find money from somewhere else, which is often difficult. That is the challenge for us all.

In north Oxfordshire, we are grateful that programmes such as that run by the Prince's Trust are now getting involved locally. That programme will take 12 16 to 24-year-old NEETs through an intensive 12-week course, but funding has to be found locally to support the initiative. That is additional funding that we have to find from somewhere. If that is the situation in a constituency such as mine, and if we are looking at anything like one in 12 youngsters becoming NEETs, nationally that is a truly serious issue. We have to find a better and, I suggest, more positive description for that group of young people. We have to recognise that, by definition, they will be youngsters who will need encouragement and support. They will not necessarily always want to undertake mainstream activities. Indeed, they might find accessing colleges and courses difficult.

Rehman Chishti (Gillingham and Rainham) (Con): I congratulate my hon. Friend on securing the debate. Does he agree with me that there needs to be more emphasis on schools equipping youngsters for work, beyond the one or two-week work experience placements?

Tony Baldry: Yes, and the more one can engage youngsters in school, the better. Indeed, many of the schools in Banbury already involve youngsters not only in work experience, but, where appropriate, in programmes such as SKIDZ, because they want to keep them engaged.

There are clearly a number of pieces of the jigsaw that we have to get right. They include Connexions and its ability to support youngsters, and apprenticeships, as has been said. My understanding is that the Government want one in five school leavers to become apprentices by 2020, so we need to do more to encourage employers to provide opportunities, particularly in those areas where youngsters particularly want to work, such as construction. The Select Committee made the following observation in its report earlier this year:

> "We recognise that future solutions to reduce the proportion of young people not in education, employment or training will have to be more cost-effective and will require efficient joined-up working at local level."

In Cherwell and Oxfordshire, we are doing everything possible to ensure that there is joined-up working at local level. We all recognise the financial challenges that every sector faces, but clearly it is doubly hard to help young people if they are NEET and therefore receive no funding. With the Banbury and Bicester job clubs, we have made it clear that we want to do everything we can to support people in our community while they are out of work, and help them back into the world of work as speedily as possible. The desire to give that support applies just as equally to youngsters who are NEET.

However, there are some policy issues that need to be resolved if we are to make the progress that we should like. I appreciate that my hon. Friend the Minister inherited some skills and training structures that he clearly believes are flawed, and we are fortunate that his present ministerial post is the one he shadowed extremely ably for a number of years. Many Members are keen to know about the Government's overall approach in trying

[Tony Baldry]

to ensure that a far smaller percentage of youngsters between 16 and 24 are not in education, employment or training.

1.50 pm

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): As ever, it is a pleasure to serve under your chairmanship, Mr Chope. It is a particular delight to respond to this debate, secured by my hon. Friend the Member for Banbury (Tony Baldry), who I know cares deeply about such matters. I make it clear that I share his doubts about the label "NEETs". For some reason, young people seem perpetually prone to being pigeonholed in unhelpful ways—from mods and rockers to hoodies. Of course such terms do not reflect reality and therefore do not do people justice. There is no such thing as a typical NEET; there are different groups of young people with particular kinds of challenges, different circumstances and different needs. As my hon. Friend said, it follows that we will be more effective in dealing with the problems and challenges they face if we have the flexibility to draw on a range of different options and build on best practice.

I intend, in the course of the all too short time that I have, to make nine points of substance and then move to an exciting peroration. My hon. Friend will forgive me if I rattle through those points, but I hope they are relevant to him. Along the way, I will attempt to answer some of the particular issues that he raised. Next week—I know that you, Mr Chope, and the whole Chamber, are waiting with bated breath—we will publish our skills strategy, which will set out the direction we intend to take regarding the funding and management of skills. It will be radically different from the assumptions that have underpinned policy over recent years, and will challenge much of the orthodoxy upon which that policy was based.

Let me deal with one point at the very beginning. I have asked officials to look at the issue regarding certification, which my hon. Friend raised. I agree that it does not seem appropriate—it is anomalous to say the least. We will look at that closely and deal with it.

The young people whom my hon. Friend mentioned, and those whom I meet, have ambition. They want to get on with their lives, and they recognise that learning can help them make something of themselves and can make them objects of admiration and respect. By attaining skills through learning, people gain a sense of value and are recognised by others as having worth. We believe that and care about it, and we will adopt policies that will enable young people to gain that sense of value. The investment we make in young people is our gift to future generations.

I do not doubt that the previous Government cared about such matters too—no party in this place has a monopoly on wisdom, and certainly not on compassion. The matter is one that understandably generates strong sentiment, and sentiment is not something we should disregard in politics; we are not dull utilitarians, are we? None the less, there were real problems with past policy. Many millions have been spent on a bewildering succession of schemes, but to what effect? At the last count, some 874,000 young people between the ages of 16 and 24 —or about one in seven—were not in any form of education, training or work. For a nation that cares about fairness and opportunity and about its own future, that is simply unacceptable.

Let me move to my nine points. The first is that we will certainly take a close look at job clubs such as those in Banbury and Bicester. They are good examples of what can be achieved by local people using prudent public investment, drawing together industry, local government, community groups and charitable organisations. I have discussed the matter with my hon. Friend, and I know they are examples that can be followed. I have asked my officials to look at them to see what can be done to share that good practice.

The second point is again implicit in my hon. Friend's analysis. We need a more holistic approach to the way we deal with the problem of such young people. It ranges from the circumstances at school and their prior attainment, to family circumstances and the particular physical or mental health issues they may face, to simple matters of confidence born of inadequate skills—a lack of confidence that is inevitable for those who have poor literacy and numeracy skills. However, it is not as simple as that—indeed, it is not simple at all—which is why we need the joined-up approach that I think has been lacking in the past.

Thirdly, we also need to link the issue closely to our benefit reforms. I am speaking to the Department for Work and Pensions about those matters, and I assure my hon. Friend that part of the discussion is about funding. He made a good point about such people carrying funding with them and therefore being attractive to learning providers. We are on the case, and we will look once again next week—I do not want to give away any secrets—at the principles of learning accounts and the part they can play in driving the system through learner choice and employer need. I am mindful of those who are moving from disengagement to engagement in those terms.

Anne Marie Morris: There is certainly an attraction to that approach. South Devon college, in my constituency, goes out on to the streets to where the NEETs are to find them. It is a win-win situation. I think we need to go out to get them rather than waiting for them to come to us, which is the point the Minister is making.

Mr Hayes: My failure to respond to that point has nothing to do with its salience but with the time I have available. I will certainly take the matter up with my hon. Friend; it is a well-made argument.

The fourth point is about careers guidance. We need, as my hon. Friend the Member for Banbury said, to give such people the right advice and guidance. We will be launching an all-age careers service, which I spoke about last week in Belfast. Those who are interested may have a copy of my speech; those who are very interested can have a signed copy.

The fifth point is that raised by the right hon. Member for Oxford East (Mr Smith) about pre-apprenticeship training. As others have said, it is about getting people to the point where they can enjoy more formal training by the skills they acquire early on. We need a continuum of training, and I am working on that, too. However, it has to be progressive. I have said to the DWP that the offer must be authentic in terms of training and skills.

and progressive—it must lead to further learning that makes people more employable, and then takes them into work.

The sixth point is the need for early intervention. When dealing with such multi-faceted problems, we need to look at disadvantage; let us be frank about that. It means using the pupil premium, announced by the new Government, in the most imaginative, creative and productive way possible, and seeing how that can leverage real outcomes for people's subsequent progress in learning and work.

My seventh point is that the Government made a big commitment in the comprehensive spending review not just on apprenticeships, about which I will say a little more in a moment, but on community learning. Adult and community learning was protected in the CSR. I am passionate about the fact that there are different routes into learning. Some of them are informal and others formal, but we must not take the view that there is only one ladder to climb. People will return to learning, and people with a poor history in their prior experience will need a gentle approach. Small, bite-sized chunks of learning, highly accessible, very attractive and often linked to practical competencies can often be the way forward. That is why we protected both the basic skills and the adult and community learning budgets in the CSR.

Eighthly, I have already mentioned apprenticeships. I do not want to trumpet the Government's achievements in that respect. People are right: we will need to get employers involved, which is why we sent out tens of thousands of letters last week to small businesses to get them involved in an apprenticeship programme and to back the £250 million we have put in, with a view to creating not just 50,000, or 60,000 but 75,000 more apprenticeships, which is more apprenticeships than we have ever had in Britain.

Ninth and finally, we certainly need to give institutions more flexibility. We need to make the system more responsive to the needs of such young people, and generally. A more dynamic and responsive system, shaped around employer need and driven by learning choice, can deliver the skills the country needs, and it can also change lives by changing life chances.

As a result of the initiative of my hon. Friend the Member for Banbury in securing the debate, I have done three things. First, I have asked my Department to develop a cross-departmental strategy to deal with the NEETs problem. Secondly, I am looking at simplifying the funding process for accessing the right money to run community-led projects to address NEET issues. Finally, in particular, I have asked officials to see what we can learn from job clubs in north Oxfordshire.

The issue is about the value we place on individual lives, and the value we place, too, on social mobility, social justice and social cohesion. When each feels valued, all feel valued. It is about building the big society from the bottom up—a brighter Britain where lives are illuminated by the power of learning, and a bigger Britain where all have their chance to grow.

Question put and agreed to.

1.59 pm

Sitting adjourned.

Westminster Hall

Wednesday 10 November 2010

[MR MIKE WEIR *in the Chair*]

UK Software Industry

Motion made, and Question proposed, That the sitting be now adjourned.—*(Angela Watkinson.)*

9.30 am

Bridget Phillipson (Houghton and Sunderland South) (Lab): It is a pleasure to serve under your chairmanship for the first time, Mr Weir. I am grateful for the opportunity to hold the debate. I take a keen interest in the UK software industry, and I am proud that Sunderland Software City, which is a centre of excellence, covers my constituency.

I thank the Minister for coming to the Chamber to put the case for the Government—I am sure that we are all eager to hear what he has to say. I would like to extend to him and his colleagues an invitation to meet me after the debate to address any points that we might be unable fully to thrash out in the time available to us.

The UK software sector has compound growth of 5.6% and is now worth £100 billion to the UK economy—almost as much as the financial services sector. The industry benefits from low capital costs, and its products are instantly exportable. Its technology can also make non-software companies more efficient, further adding to its worth to our economy. Figures from the UK's Technology Strategy Board show that 29% of the $3.4 trillion of worldwide spending on information and communications technology in 2007 was spent on ICT software. Such spending is expected to reach some £2.6 trillion in 2011. I am sure we can all agree that Britain needs to be at the heart of that new wave of ICT innovation and investment.

The US is currently the world's largest software market. We are all familiar with some of its major exports. We all use Microsoft operating systems and office software in our parliamentary offices, and I am sure that we all know of the success of Apple's iPhone and iPad. However, I am proud that behind that American muscle is British innovation. Specifically, the technology of Britain's chip maker ARM Holdings—including firmware, which is a subset of software—is in 95% of the world's mobile handsets, including products such as the iPhone and BlackBerry, and in more than a quarter of all electronic devices.

The Labour Government left Britain in a good position to become the world's leading exporter of ICT software and services. From the story of ARM, it is clear that Britain has what it takes to compete in the global market, as long as the Government provide the tools and support that the industry requires.

According to "Resilience amid turmoil: Benchmarking IT industry competitiveness 2009", the Economist Intelligence Unit's third annual study into information technology sector competitiveness, Britain was ranked third for human capital in the world, and fourth for support for the IT industry as a whole. However, I want Britain to do even better. The report found that access to broadband networks, investment in skills and business support, and an adequate legal framework that strikes the right balance between promoting technology and allowing market forces to work were vital for the industry to prosper.

It was the Labour Government who developed the framework that pushed Britain to become the fifth largest ICT market behind the United States, Japan, China and Germany. However, I fear that the actions of the coalition Government since the election will jeopardise that. I hope that the Minister can alleviate some of my fears in his reply.

Let us consider the record of the coalition Government so far. Labour promised universal access to broadband by 2012, but the coalition has scrapped that pledge. A joint report by the Boston Consulting Group and Google showed that the internet economy in the UK represented 7.2% of our gross domestic product, and that we led the world in e-commerce, exporting nearly £3 for every £1 imported. The report also found that 250,000 jobs were dependent on the internet. The future of the software industry in Sunderland will rely on the ability to communicate digitally, and a strong broadband network is at the heart of that. It is estimated that it would cost more than £500 million to bring superfast broadband to the north-east. Without it, creative industries could move their business elsewhere. Will the Minister tell me his plans for broadband, particularly in the north-east?

The coalition has announced a review of our intellectual property laws with the aim of relaxing the rules, but that could leave Britain's intellectual property exposed and unprotected. What assurances can the Minister give me, as well as UK software and new media industries, that that will not happen?

The Tories and Liberal Democrats previously committed to providing tax breaks to the computer games sector. I know that many of my colleagues have spoken about that in this Chamber and on the Floor of the House on many occasions, and that there are strong feelings about it. I support their views on the need for tax breaks for the industry. The industry body states that, without them, the UK will be at a disadvantage compared with foreign competitors. What is the coalition's justification for reneging on that promise?

On education and training, instead of incentivising software development as a viable career, the coalition will increase tuition fees for students taking mathematics and ICT-related degrees, despite pledges to the contrary from some of coalition Members before the election. It has even cut the body tasked with buying computer equipment for schools. Will the Minister tell me how children in this country can be expected to use ICT in the school environment and go on to become a future Steve Jobs, Paul Callaghan or Chris Curry without any co-ordinated approach on ICT provision?

Support for the software industry is about not just investment in business and education, but a whole package of measures. Another consideration of businesses that I wish to draw to the Minister's attention is the availability of conventional transportation: road and rail. He might not be aware that two large capital transport projects in Sunderland—the central route and the strategic transport corridor—are in jeopardy. The success of those projects is vital for the north-east to access the rest of the UK, but also for the UK to access

[Bridget Phillipson]

the north-east. Does the Minister agree that if we make the north-east as interconnected to the rest of the UK as possible, we will have a more balanced economy?

I wish to dedicate the concluding part of my speech to a success story: Sunderland's developing software industry. Thanks to some remarkable people, Sunderland has more tech start-ups than any other region in the UK, with the exception of London. Almost 50 software companies operate in Sunderland, and almost 300 across the north-east, and the number grows every week. One North East estimates that the annual size of the north-east's new media, games and software industry is more than £250 million. Sunderland city council's business team has opened the e-volve centre in my constituency, which provides start-ups with vital tools for their development such as office and server space, and a bespoke package of advice and support. It also works with Sunderland university to offer internships to ICT students. It is vital that the region can offer highly skilled jobs to graduates, particularly to allow our young people to remain in the area rather than feel that they have to move elsewhere, often after they have studied at our world-renowned universities.

The software industry provides an ideal opportunity for growth to provide the highly skilled jobs that the north-east needs to continue to attract investment and develop. However, that potential for growth and development faces significant challenges. The coalition has cut One North East, the region's hugely successful development agency, but let me tell the Minister what One North East achieved for the UK software sector and the region.

Fifth Generation Technologies, an Indian company that produces business intelligence tools for companies, came to Sunderland thanks to One North East. Codeworks, a centre for digital innovation based in the north-east, and DigitalCity, a successful and self-sustaining digital media, digital technology and creative supercluster based on Teesside, are what they are today thanks to One North East.

The best example of the success of One North East, however, is Sunderland Software City. This innovation was developed in partnership with Sunderland city council, the university of Sunderland and private sector partners. It inspires and supports the growth of the software industry across the north-east, and makes the region the location of choice for software businesses.

From a single, easily accessible point that local companies have found invaluable, Software City provides local companies of all sizes, from the smallest start-up to firms with multimillion pound turnovers, with the support that they need to succeed. It helps companies to raise capital and find investors and customers, provides one-to-one business and technical support, and helps with access to foreign markets such as India, China and the US. More than 80% of participants in its student placement scheme have gone on to permanent jobs with the companies to which they were assigned. Since Software City started in 2008, it has helped almost 200 companies, including Test Factory, Raise a Tree, and Guroo, which has managed to get almost 500 clients in just two years.

I shall conclude by offering the Minister an opportunity to recognise the software industry and to invest in the north-east. Software City was made possible by One North East, but its £6.5 million grant will run out in March 2011. I welcomed the Government's announcement last week of a £200 million fund to invest in high-tech hubs. Will he support the use of part of that fund to secure funding for Software City up to and including 2015?

9.39 am

Dr John Pugh (Southport) (LD): It is a pleasure to serve under your chairmanship, Mr Weir. I congratulate the hon. Member for Houghton and Sunderland South (Bridget Phillipson) on having started an important debate on an important theme. She will understand that I cannot comment on the situation in the north-east, so I shall concentrate my remarks on the contentious issue of video games—that has been the matter of some parliamentary discussion—and on Government procurement, which is an issue that interests me even more.

I am not especially interested in video games per se. I have not played them since the days when I had a Commodore 64 and played a game called "Pesky Painter", which unfortunately I have not been able to obtain since. If anyone listening to this debate has a copy, I would be pleased if they wrote to me so that I could have access to the game again. Gaming is an addictive pursuit that takes up a lot of time, and someone who has other interests in IT—as I do—finds other things to do. There is, however, an argument in favour of Government support.

There are basically two extreme views on Government support. One is that the Government should always support successful and/or sometimes failing industries, and the other is that the Government should never interfere in the market. A friend of mine who is a software engineer alleges that any IT company that needs Government investment ought not to be backed in the first place, because there is enough venture capital out there and IT is a progressive and successful market.

I do not think that anyone seriously believes in either of those extreme positions. People who do not believe in state intervention at all are a bit like the people who do not believe in censorship at all. A case in which censorship was needed can always be cited, as can a case in which the state needed to intervene. The arguments usually centre on not the principle of state intervention, but the degree of it and the method used. I think everyone accepts, including the video games industry and all other branches of the software industry, that there is a role for the Government in incentivising economically useful behaviour. The video games industry supports the continuing policy of research and development credits, and of such credits that are specifically aimed at smaller businesses, presumably smaller software houses and the like. New starts are plentiful in the industry, and new starts can often become very big companies.

All the companies that we are talking about, including all those in the north-east, favour a sensible regime of business taxation. We can all talk about that, and about levels of corporation tax and the like. I guess that everyone nowadays accepts that tax incentives and breaks are better than direct subsidies, because they are a more effective way of encouraging winners and of getting the kind of behavioural impact that people want. I accept that a tax incentive is a form of sectoral subsidy, as

essentially an amount that is due is not being paid, but the issue here seems to centre on whether a sectoral subsidy is, on the face of it, justifiable and necessary. It has to be necessary to be justifiable. On the face of it, there seems to be a pretty good case. I think we all accept that the industry has huge potential. The hon. Lady laid out very well what kind of potential it can offer, not only for the country as a whole but in areas of substantial deprivation. An area such as Sunderland is not necessarily associated, in the way that California is, with the IT industry, but the association is certainly helpful to Sunderland.

There is obviously a huge native skill-base in this country. I was surprised when, during the general election, individual constituents of mine e-mailed me to say that they were very much involved in a video games or software business, and they made representations on behalf of the industry. I was surprised at how many of them there were, and I was also surprised, in these days of the internet, that they did not know one another very well. I felt that after the election I could perform the useful function of putting them all in touch with each other. The hon. Member for Liverpool, Wavertree (Luciana Berger)—who has just arrived—is well aware that Liverpool has a burgeoning software industry involving a lot of small companies. We should support that industry emphatically, because it is very green, forward-looking and progressive.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): Does the hon. Gentleman agree that we should introduce some kind of domestic tax incentives and support not only to boost the industry, but so that we can compete on an equal playing field? Other countries across the world that produce software and video games have additional incentives for the industry, in both research and development and in the wages of people who come from abroad. Because we do not, we have dropped from sixth to fourth place in the world in video games production. We have so many people leaving the UK to go to other countries, such as Canada, the United States—

Mr Mike Weir (in the Chair): Order. I remind the hon. Lady that interventions should be brief.

Dr Pugh: I am not sure that the causal chain is as emphatic and clear-cut as the hon. Lady represents it, but later I shall come to the business of a level playing field.

It could be argued, could it not, that the indicators for what the industry offers and its potential are so good that the case for state investment is almost being undermined? If it is that good and there is that much potential, why would the Government be needed? Why should venture capital not be there; why would it not be there? I suppose there are some answers to those questions. It could be argued that this country's financial sector is notoriously short term, which indeed it is. It is somewhat tax averse, and we have seen plenty evidence of companies preferring to go to places where the tax burden is less. The companies are certainly not patriotic and if they have scope elsewhere in places such as Canada, they might well decide that they want to place their funds there.

There are other strong arguments against the state getting too heavily involved in managing the industry. One is that the IT industry is notoriously volatile and unpredictable. One only has to look at the giants of the past that have crashed in the night—the IBMs, the Lotus Notes and the strange fall and rise of the Mac. One need only consider what would have happened had they put their money into floppy disc manufacture a few years ago, or into CD-ROM manufacture in the past five years. When someone puts money into the software industry or the IT industry more generally, they do so at an appreciable risk.

It cannot be in the long-term interest of the nation—of all nations—to base national taxation, for any sector, on the lowest common denominator of international taxation. Although the video games industry has said a lot about Canada, I would like to see what is happening in other areas where the software industry is also thriving and is competitive with Canada. I shall not rehearse the arguments that we could have about state aid and protectionism. I do not understand, however—the Minister can help me here—the argument presented by the Chancellor for not giving tax relief to the video games industry. He said that it could not be well targeted. I do not grasp that, and some evidence in the notes that have been provided makes it less than clear what is being said, meant or agreed by the Treasury.

Jim McGovern (Dundee West) (Lab): I think the Chancellor actually said that the tax breaks were poorly targeted, rather than not well targeted. I have since had meetings with Ministers who have said that it is Government policy no longer to target any industry for tax breaks. Does the hon. Gentleman have a view on that?

Dr Pugh: The second answer that the hon. Gentleman was provided with seems to possess greater clarity than the first, because the first is, I guess, contestable. We can have a long discussion about how we can and cannot target breaks. A rational argument can quite decently be made that the software industry, given its potential for the capital venture market, is a lower priority than some other industries in a context of scarce resources; or it could be said that a break would be an unnecessary fiscal discount. The Minister can perhaps explain later exactly what is meant by the poverty of targeting in this case.

It is true that under our existing taxation policy some industries have failed, but even some of those mentioned in the notes we have been provided with have failed not because of the taxation policy, but because other things have gone wrong in the software development world and the product simply has not taken off. It is an intrinsically risky market, and the state ventures into it with some caution.

Just to extend the debate, there are other things that we should be talking about. I do not think the Government's role in encouraging the software industry simply starts and finishes with tax breaks. They have a definite role in education. The hon. Member for Houghton and Sunderland South underplayed the continuity of British education between one Government and the next with regard to developing the software engineers of the future. In that context, I have a general worry about how the curriculum shapes up. In the initial phases of IT education, children were taught about programming and so on, but a great deal of recent IT education is simply about how to use applications. The people who are going to produce the applications of the future

[Dr Pugh]

will not be the British: they will be Indian, Chinese and possibly American. There is a decline in IT education in this country—or, rather, it is not what it could be.

On the Government's role, there is a further aspect to consider. The Government are probably the biggest customer for IT. Some 40% of all IT products, software included, are ordered by Departments. Government procurement is extraordinarily difficult for small software companies to work with, the process often being so prolonged that they cannot sustain their interest in applying for work, which the big companies ultimately get. The Cabinet Office and the Department for Culture, Media and Sport should consider how that process operates.

Labour Members must forgive me for going in this direction, but I have to say that huge software projects that were going to be embraced in the Building Schools for the Future programmes were, by and large, built by allowing the biggest players—the big American software firms—to engage with the process. Small British software firms found it difficult to get on the British Educational Communications and Technology Agency list. I have complained about BECTA in this Chamber in the past and I am glad that, as a result of my representations, it has been abolished.

There is a close and unattractive relationship between big government and big IT. We are blessed with the Connecting for Health project, with all its problems, ramifications and extra costs, largely because of close connections and conversations between the previous Prime Minister and Bill Gates. There has been a slow commitment to interoperability, open standards and open source in IT procurement in this country—particularly state and government IT procurement—all of which has effectively shut out the burgeoning British software engineering companies and favoured the large players, including Microsoft and Oracle.

I noted the Chancellor's suggestion before the election—I am sure the Minister can comment on this—that by adopting a more favourable position towards open source and open standards, the country would save £500 million. I have not seen that in the comprehensive spending review so far. I can provide the press releases if any hon. Member doubts it, but I am sure we would all want to follow that up. That must surely be better than falling for the trick, as has happened in the past, where we receive memorandums of understanding and order shedloads of products from big software houses abroad, simply because they give us the licenses at slightly less than the exorbitant prices they would charge a private customer.

The Government can do a huge amount in monitoring how taxation policy plays out. If there is a case, and serious empirical evidence is produced, showing that the video games industry is deserting the UK purely off the back of current taxation policy because the Government are reluctant to follow through on some suggestions made prior to the election, they will need to look at that. We cannot afford to stand by and let the industry go, because that would be a serious loss to the country.

We need to keep an open mind on fiscal measures and what will work, and to take a hard, prolonged look at both our education—

Jim McGovern: Before the general election, the Conservative and Lib Dem spokesmen on this subject both said unequivocally that they would support tax breaks for the video games industry. Why has that changed?

Dr Pugh: I am not party to the discussions that have led to that change. Clearly, there were opportunities for previous Governments to do precisely that.

The opportunities for the British software industry are huge. The Government just need to make the right move. Some of the right moves are plain and obvious, and I hope they will make them.

9.55 am

Mike Weatherley (Hove) (Con): I congratulate the hon. Member for Houghton and Sunderland South (Bridget Phillipson) on securing this debate.

The Government have made a number of announcements in the past weeks emphasising the importance of innovation to the UK economy. In particular, I welcome the Prime Minister's "Blueprint for Technology" and the specific measures set out to support technology-based innovation. The UK software industry is at the heart of such innovation, and none more so than the video games and interactive entertainment industry.

The UK video games industry—the fastest-growing creative industry in Britain—is one of the biggest in the world. More video games than ever before are being played on an ever-growing range of platforms: consoles, online, mobile phones and interactive TV, to name a few. One in three voters consider themselves gamers. My hon. Friend the Member for Southport (Dr Pugh) mentioned his preferred game; mine is "Command and Conquer: Red Alert 2".

A large part of the industry's strength lies in its development of original intellectual property. The UK video games industry excels in innovation and research and development. It is anticipated that the growth in mobile and online gaming in particular will provide new opportunities for original IP development. Sussex is home to a number of content creators and digital media companies, poised to play their part in the UK's economic recovery. In my constituency—Hove and Portslade—and in the wider Brighton and Hove area, companies such as Black Rock Studios, NCsoft, Eurogamer and Futurlab are meeting demand from a thriving home and export market.

Government support is needed to ensure that the UK remains at the forefront of this thriving industry and to ensure that it continues to grow. IP protection is crucial in that regard. I am sure that I do not have to remind hon. Members of the importance of intellectual property rights, particularly in the online space. I welcome, and I hope other hon. Members do, the Government's commitment to IP and the Gowers report, and to pursuing infringers through the Digital Economy Act 2010, although it is not perfect in respect of the appeals procedure. It is right that the Government continue this good work, making the IP framework more conducive to innovation.

As the Prime Minister reflected this week, IP is not just about protecting the end result; it is also about ensuring originality in creation. Will the hon. Lady join me in welcoming innovations in the video games sector

that are allowing the UK to harness its talents and exploit its advantage? For example, the university of Abertay Dundee, is achieving great things with Government support. With support from the Department for Business, Innovation and Skills and from the European regional development fund, Abertay university is establishing a video games centre of excellence and a prototyping fund, allowing small games developers throughout the UK to apply for grants of up to £25,000 to support the development of fully working prototypes.

Jim McGovern: When will a member of the coalition Government visit Abertay university?

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): On 3 February.

Jim McGovern: The Secretary of State for Scotland has visited, but no Conservative Member has done so.

Mike Weatherley: I thank the Minister for his intervention.

Commercialisation and project management support will also be provided from Abertay's business and computer games experts, giving each successful applicant the best chance of establishing or developing a thriving business. The spill-over effects into other areas are plain. For example, talented students and graduates will gain important work experience opportunities on project teams, working in the same studio environment as computer games companies. Overall the project can be described as a pipeline for the creation of new intellectual property and it is expected to stimulate the economy by attracting private sector investment.

Similarly, a partnership between Cardiff schools of creative and cultural industries at the university of Glamorgan and Swansea Metropolitan university will support companies holding creative IP in exploiting that resource through identifying routes to market and developing capacity. The DigiLab will ensure that games prototypes for further investment are generated, and that subsequent end products reach the key games publishers quickly to the benefit of participating companies and sponsors.

I call on hon. Members to support those and other initiatives, which are providing crucial commercial and intellectual partnerships to spur innovation and sustain a sector that is at the heart of our economic recovery. I welcome recent announcements about the Government's intention to establish technology and innovation centres and to use Intellectual Property Office savings to support UK business, helping companies to develop new technologies and offer advice in developing their intellectual property. I look forward to seeing how those projects develop in the coming months.

Finally, the Government have signalled that they will consult business later this autumn on the taxation of IP, and the support that research and development tax credits provide for innovation. That area is of vital importance to the software industry, and I urge my hon. Friends to engage with industry bodies such as the Association for UK Interactive Entertainment, and provide a framework for the industry to flourish.

10 am

Justin Tomlinson (North Swindon) (Con): I rise to support the principle of this excellent debate secured by the hon. Member for Houghton and Sunderland South (Bridget Phillipson). Let me provide a little context on why I have come to support the debate. At midnight on Monday, "Call of Duty: Black Ops" was launched as the latest product in a series of the world's best-selling computer game. More than 100 HMV stores were open, and queues of people were waiting to get hold of the game. About £1.5 million of sales were expected on the first day, and worldwide sales are expected to exceed £1 billion, which will make it the best-selling computer game ever. It was my birthday on Friday, and I am hopeful that when I return from Westminster at the end of the week, a copy of the game, along with "Football Manager 2011", will be waiting for me. I must, however, confess that I am exceedingly average at both games.

I have spoken to a lot of hon. Members about this debate, and the average level of knowledge about computer games among MPs is not fantastic. I have done a little research, and found that Positech Games has launched games called "Democracy" and "Democracy 2", where there is the opportunity to be the Prime Minister. I am sure that the Leader of the Opposition will soon be ordering a copy.

I have taken part in many debates in which we sought to identify new markets to allow the UK economy to expand and diversify. The information and technology market is happening now. As has been mentioned, the worldwide ICT market is expected to reach $4.3 trillion in 2011. UK studios already generate global sales of £1.7 billion a year, with the UK market in the region of £3.5 billion a year. It is essential that we are best placed to benefit from that.

Interestingly, the market is changing and in many ways it is going full circle. Although big budget games can cost around £25 million to develop and are therefore dominated by the big players, many of the early software industries in the '80s initially expanded from a bedroom industry to become the multi-million pound industries of today; for example, Codemasters, which was set up in 1986 by Richard and David Darling. With iPads, iPhones and Facebook applications, once again, new players can enter the market. We should encourage and support that.

My constituency can play a part in helping the UK to benefit from that growing market. The head office of the Technology Strategy Board is based in Swindon, and I had the pleasure of meeting its chief executive a couple of weeks ago. Part of the company's remit is to invest in stimulating business innovation in ICT, and its primary role is to work with e-skills UK, professional societies, and research councils—many of which are based in Swindon—the Department for Business, Innovation and Skills and the Department for Education. Through its co-ordination, expertise and funding, the UK should, and can, fully benefit from that crucial market.

I extend an invitation to the Minister to meet the Technology Strategy Board. As an incentive, Swindon—in its second role in the industry—is home to the Museum of Computing, which I support. All hon. Members who have referred to computer games, or to their original computers, can go and see those things proudly on display, and the museum would be delighted to welcome them.

10.3 am

Ian Lucas (Wrexham) (Lab): It is a pleasure to serve under your chairmanship once more, Mr Weir, and to have listened to the various hon. Members who have contributed to our debate about an extremely important industry for the United Kingdom. The ICT industry has developed hugely over recent years. I remember that when I was a bright-eyed, bushy-tailed candidate in 1997—I was one of the few Labour candidates to lose—we talked about giving computer internet access, as we then called it, to schools. Now, 13 years later, much of that optimism and much of the commitment made by the previous Government to putting schools online and introducing computers into schools has been realised. We easily forget the scale of the change that has taken place in our schools as a result of investment over the past 13 years.

There is no doubt that when the Labour party left office, the British software industry was strong on the national stage with 1.2 million people working in it to service the 22 million people throughout the UK who access IT and use computers every day in their work. We must try to ensure the continuation of our competitive advantage and knowledge base that has enabled the success of the international UK computer industry.

Today, thousands of students are marching in London in response to the Government's proposals for university tuition fees. That is relevant to today's debate, because over the past 13 years, there has been major investment in higher education and an increase in the number of students going to university. If one industry is knowledge-based, it is the IT and software industry. Those students who went to university and were attracted by all the games—of which hon. Members know much, and I know very little—have grown our IT industry. Many imaginative and successful small companies in the UK have come out of universities. My fear is that as we go forward, given that it is proposed that student tuition fees will rise to £9,000 a year, many people similar to those who went to university over the past 13 years will be discouraged from attending university and therefore from going into an educational, innovative atmosphere that could lead them into that innovative industry.

Dr Pugh: The hon. Gentleman will recall that he voted for tuition fees in the last Parliament and I did not. I say nothing about the current policy, but at the time I said that the introduction of tuition fees and top-up fees would reduce the number of people applying to university. As a matter of empirical detail, I turned out to be wrong. There is an outside chance that, regardless of the merits of this policy, the hon. Gentleman could also turn out to be wrong, as I was.

Ian Lucas: The hon. Gentleman is wrong to state that I voted in favour of tuition fees—I did not. I have always opposed tuition fees. There is a difference in kind between the tuition fees introduced through legislation in 2003-04 and the present position. The fees introduced in 2003-04 were supported by a generous bursary scheme that the Government put in place, which was the main reason why the proposals went through. We now have a situation in which fees of £9,000 a year are being proposed. Before the introduction of those fees, when Parliament will be asked to increase the cap to £9,000, we will not have any discussion about the bursaries that will be put in place. The White Paper on higher education—one of the most important subjects for our nation—will not be produced until after we have voted on the cap, and that is a matter of profound concern. I have always shown a great interest in this issue and, for the benefit of the hon. Member for Southport (Dr Pugh), I can say that it is one of two occasions when I voted against the Labour Government. The matter goes to the heart of whether the UK software industry succeeds in the future.

Of all the countries that compete with us, we are alone in cutting back on investment in higher education. Teaching grants for most of the subjects that will lead to people studying IT at university will be removed. That cannot make us more competitive as a nation, because it will make our students less knowledgeable. It is therefore necessary that we say that the removal of those teaching grants will have profound effects.

In its 2008 "Developing the Future" report, Microsoft stressed explicitly the importance of industry placements for students. When talking about the lower level of tuition fees, it stated:

> "The introduction of tuition fees may have created a deterrent to students considering taking up a placement as they are likely to be more anxious to finish their studies as soon as possible in order to repay their loans and avoid further debt."

How much greater will that deterrent be as tuition fees are set to triple?

That is not the only area of uncertainty created by the present Government. Labour made a clear commitment to universal broadband by 2012, but it has been scrapped by the Tory-Lib Dem Government. That will create a competitive disadvantage for many companies away from the south-east of England and centres of population in general. It will inhibit the development of innovative small businesses, which are so evident in the software industry. Even more serious is the uncertainty about the expansion of high-speed broadband services, which are key to the development of software companies. We all know that the £530 million docked from the licence fee will be insufficient to pay for universal high-speed broadband across the UK. Will the Minister please tell us where the Government believe the money for that will come from?

The Government have set their face against support for the video games industry by scrapping Labour's games tax relief. We heard today that we need a clearer explanation of why the Government believe that that step—it contradicts the Conservatives' pre-election stance, although we have come to expect that from the present Government—should be taken. My hon. Friend the Member for Dundee West (Jim McGovern) has been doggedly pursuing the matter for as long as I can remember, but he is still to receive straight answers to the straight questions that he has been putting. Why is an industry that we know is successful and that is in a very competitive environment not receiving the support from the Government that the Conservatives stated before the election that they would provide?

Justin Tomlinson: Will the hon. Gentleman clarify whether it is still Opposition policy to support those tax incentives? If so, how would they be funded and where would that funding come from?

Ian Lucas: Let me give the hon. Gentleman one example of what the Government whom he supports have chosen to do. They have chosen to reduce corporation tax rates year by year, and they are paying for that by

taking away tax incentives for industry to make capital investment. The Labour party believes that that approach is wrong, because lower corporation tax has a huge effect on banks' income, and the approach detrimentally affects investment and manufacturing in this country. We want to support investment and manufacturing in this country, so we favour tax incentives and relief for investment made by business. That is the line that we are taking. We took it in government, and we believe that it is correct.

Luciana Berger: Is my hon. Friend aware that the Red Book cites the amount involved in not introducing the video games tax relief as £200 million, but that that does not take into account the net benefit of introducing a video games tax relief, which conservative estimates have put at an additional £200 million?

Ian Lucas: I am very grateful to my hon. Friend. That sounds like a good deal to me, so perhaps such an approach that should be followed. We have a successful industry. We should be encouraging it to prosper, not taking away its advantages.

Last week, the Prime Minister made a speech about information technology. Interestingly, he chose to make it in east London. I note that this debate was secured by my hon. Friend the Member for Houghton and Sunderland South (Bridget Phillipson). We want innovative companies throughout the UK—in England, including the north-east of England; in Scotland, in Wales and in Northern Ireland.

My hon. Friend made the excellent point that the north-east had one of the best regional development agencies in the country in One North East. She talked about Sunderland, its Software City and its computer city-approach. We all know about the success of the investment levered into the UK from Nissan by One North East, working with Her Majesty's Government. That £400 million of investment came at a cost of £20 million. That is the type of work that has been going on in the north-east to bring innovative new companies and investors from abroad to the UK. Unfortunately, One North East has gone and, as we speak, Sunderland does not have a local enterprise partnership.

We heard the Prime Minister talk last week about a fund of £200 million for new technology and innovation centres, so I would like some information from the Minister about the money. Is that sum separate from the regional growth fund? If so, who will administer it and how does one access it? If part of the country, such as Sunderland, does not have a local enterprise partnership, how will it access finance from the fund? Is the fund intended to be solely for the benefit of east London or is it a national fund? *[Interruption.]* The Minister chuckles, but it tells us something that the Prime Minister shuttles across to the east of London to make such an announcement instead of going, for example, to the north-east of England, which has many great industrial stories to tell.

I would also like to pick up the point that the hon. Member for Southport made about Microsoft having a close relationship with the previous Prime Minister—or was it the Prime Minister before? There was evidence in last week's announcements of another close relationship between a Prime Minister and a major multinational software company—Google. Strangely, however, the hon. Gentleman did not refer to that. In particular, there was an announcement of a review of the intellectual property system, which the Prime Minister himself said frustrated Google in this country. It is interesting that on the very day the Prime Minister announced that there would be a review of intellectual property rights in the UK, Google announced that it would be taking part in the east London high-tech city project.

Dr Pugh: We all need to be cautious about such things, and I must add to that the fact that my right hon. Friend the Deputy Prime Minister made some significant announcements the other day at the event involving Microsoft. We all need to be wary about these issues.

Ian Lucas: We do indeed, but the hon. Gentleman raised the issue initially—specifically in connection with the Labour party and Labour Prime Ministers. I thought it only fair to illuminate the debate by highlighting the announcements that were made only last week.

When examining issues such as intellectual property, which is extremely important and does need to be examined, we need to be conscious of not only freedom of expression and access to information, which are of course vital and needed to make our nation competitive, but the rights of those who create original material, who are often the small people in all this and do not have access to Prime Ministers, and sometimes have difficulty gaining access to MPs. Their rights concerning their intellectual property need to be retained. I shall therefore be watching the review with great interest. It is important that there is broad input into the review and I encourage anyone who has interest in this area to contribute. We are at a positive stage for the UK software industry. We have great talent, great innovation and great originality. My contention is that much of that arises from the positive intellectual atmosphere that has been fostered generally in the UK, and specifically in our universities. I am worried that that atmosphere might disappear because of the environment in which we operate.

Jim McGovern: I thank my hon. Friend for giving way; I went to my usual seat in the Chamber over here, so I seem to have split from the Opposition.

On the subject of access to MPs, prior to the previous Labour Government's March Budget statement, numerous Ministers—the Chancellor, the Secretary of State for Scotland, and Ministers from the Department for Business, Innovation and Skills and the Department for Culture, Media and Sport—visited Abertay university. They saw for themselves just how important the industry was to Dundee and, on the back of that, the Chancellor announced a tax break for computer games. However, since the general election, there has been not one visit to Dundee.

Mr Vaizey: Just the Secretary of State for Scotland.

Jim McGovern: Prior to the withdrawal of tax breaks for the computer games industry, not one Minister visited Dundee. Does my hon. Friend the Member for Wrexham (Ian Lucas) agree that that was unfair, at the very least?

Ian Lucas: We all benefit from close contact with not only our constituents but, for example, universities. I am delighted that the Minister will be visiting the university in Aberdeen—*[Interruption.]* Dundee; I am

[Ian Lucas]

corrected. I am sure that he, like all of us, would benefit from such a visit. It is important that we understand how different universities are from when some of us attended university.

As I mentioned, another area about which I have particular concern is high-speed broadband. I speak as a Member of Parliament for Wrexham and for Wales, and I am worried that uncertainty around the proposals for developing high-speed broadband, and indeed universal broadband before that, is leading to an atmosphere in which businesses away from the south-east of England will suffer a competitive disadvantage. In an area such as software, that will be crucially important.

Justin Tomlinson: Will the hon. Gentleman clarify what speed he would classify as high-speed broadband?

Ian Lucas: Speeds of 10 megabits-plus are commonly perceived as high speed, although figures of up to 50 megabits are valued in some areas of the computer industry. Those are the sorts of speed that I would like to see. The problem is that there are many parts of the country—rural areas, which are not normally represented by Labour MPs—that do not as yet have even 2 megabits. Under this Government, there is no commitment to ensure that individuals from these areas will receive such support for broadband services in the future.

YouView will be introduced into this environment next year and demand for broadband services will increase as a result. This important area is at present below the radar—if I may mix all my metaphors and technological expressions—but it will become more evident in the next year or so because of the expansion of such services. If we are to maintain a broad-based industry across the country, it is important that we focus hard on this and also that we get some detail and certainty about how the investment will be delivered right across the United Kingdom.

10.24 am

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): I am grateful, Mr Weir, to be serving under your chairmanship today, instead of serving with you in Committee as we were yesterday, and will be again tomorrow.

I congratulate the hon. Member for Houghton and Sunderland South (Bridget Phillipson) on securing this important debate. May I give her one quick, straight answer, which is that I would be delighted to meet her at a later date if she finds my speech unsatisfactory? I can make a safe prediction that because I am a Minister and she is member of the Opposition, my speech will almost certainly fall short in some respects of what she wishes.

I would also be only too delighted to visit Sunderland and see some of the innovation and technology happening in that city. The hon. Lady used her speech to highlight brilliantly the sort of technology expertise that now exists in Sunderland. In fact, as pointed out, in the north-east alone it is said that the software and IT industry is worth something like £800 million; there are almost 2,200 businesses, 27,000 people and companies such as 5G, which she mentioned, and, in other parts of the north-east, Sage, Reflections and Eutechnyx. Sunderland is a hub of high-tech industry.

I am grateful to some of the other hon. Members who have contributed to the debate. The hon. Member for Southport (Dr Pugh) made a thoughtful speech, which was not partisan but reflected on many of the issues that affect the software industry. He effectively turned the debate, for a moment, into one on the video games industry. Another point, which I shall return to, and which I absolutely support him on, was his reflection that in schools children today are learning how to use applications rather than how to programme.

In fact, the hon. Gentleman might have shared with me some of the anecdotal experiences of talking to some of our top games developers, many of whom learned their trade, as it were, on the BBC Acorn computer in the '80s. We simply do not have such access to the nuts and bolts of technology. One of the things that I want to work on, in a big society kind of way—I am one of those Ministers who fully understands what the big society is—is some sort of after-school club where children can sit down with developers and learn how to programme. I also took on board the hon. Gentleman's points about big IT and big government. He will be well aware that many members of the new Government, particularly the Chancellor, are keen supporters of open source software. The Government are very focused on ensuring that small and medium-sized enterprises get a fair share of the cake from the Government.

I was pleased that the hon. Gentleman took a realistic view about the fate of BECTA—we should not always focus on the quango as the be-all and end-all of Government policy. I am sure that schools will continue to access excellent high-tech IT equipment for their children, not least from RM plc, one of the foremost educational technology providers in this country, based in my constituency, at Milton park in Didcot.

It was good to hear the speech of my hon. Friend the Member for Hove (Mike Weatherley), whose soon-to-be constituency I visited during the election. I am not sure whether I made a big impact; I suspect it was his hard work and dedication to his now constituents that secured him the seat. He has already made a name for himself in the House with his passionate support for the creative industries. He used to work in the film and music industry. His focus is on piracy, to ensure that there is a balanced debate and that we remember that rights holders deserve to make money from their creations. I take on board his points about the R and D tax credits.

I am delighted to see my hon. Friend the Member for North Swindon (Justin Tomlinson) in the Chamber, having won his seat at the election. His remarks reflected the change of tone in the House on video games. When I was an Opposition spokesman and talked about the importance of video games, the only Labour Member who would talk about video games was the right hon. Member for Leicester East (Keith Vaz), who regularly criticised them for their violence and their effects on society—he alleged. It is good that my hon. Friends are now standing up and saying proudly that they are players of video games.

Jim McGovern: Does the Minister accept that "video games" is perhaps the wrong title for the subject? Anyone who has visited Abertay university would see that what are called video or computer games can be applied to construction, architecture or medical science. It is wrong to say that "video games" just involve young lads sitting at a computer playing "APB" or "Grand Theft Auto".

Mr Vaizey: Obviously, the software industry is far wider than simply video games. We tend to call it the video games industry in the vernacular, although some people call it the interactive entertainment industry. However, I have said consistently over many years that what one loosely calls the video games industry is at the heart of a whole range of technologies in defence, education, health and the wider creative industries, such as architecture. That is why it is so important to support the core skills and companies in the industry.

My hon. Friend the Member for North Swindon invited me to meet the Technology Strategy Board. I have done so. It is incredibly important to the debate about the future of the software industry, as well as across a range of other areas. I am delighted that it is in Swindon, just down the road from my constituency; indeed, several of its employees are constituents, so they are clearly people of great judgment. Let me take this opportunity to wish my hon. Friend a happy birthday for last Friday.

Last but not least, I welcome to our Benches the hon. Member for Dundee West (Jim McGovern). I cannot work out why he is sitting where he is, and I had better tread carefully in making an analogy, but he resembles one of those soldiers from the last war who was so dedicated to his craft in taking on the enemy that he dug deep, burrowed down, hid and covered himself in camouflage. In coming to his usual seat, he is as yet unaware that the last war has concluded, victory has been declared and there is a new Government. Alternatively, his choice might simply reflect the huge success of the coalition's policies over the past six months, particularly pertaining to the software industry, to which I am about to turn.

Jim McGovern: Let me say in response that I might be the first, but I will certainly not be the last, to split this coalition.

Mr Vaizey: The hon. Gentleman indicates that he is simply acting as a buffer between Conservative and Liberal Democrat members of the coalition. I wonder what other conflict spots we could send him to, given that he is doing such an excellent job this morning.

I have mentioned the huge importance and success of the software industry in Sunderland. The hon. Member for Wrexham (Ian Lucas) talked of the success of the UK software industry, and I heartily endorse what he said. More than 500,000 people work in it, and there are more than 100,000 enterprises, generating more than £39 billion of gross value added. The UK market for software products and services is the largest in the European Union and has sophisticated leading-edge consumers in sectors such as logistics and financial services. As a result, almost all the world's major software businesses have a substantial presence in this country, whether in research and development, logistics or sales and marketing.

The software industry is not immune to the pressures being felt across the UK economy. In the longer term, globalisation will create additional pressures, as routine tasks and activities continue to be relocated to lower-cost economies. However, there are also tremendous opportunities for the sector, and I am certainly from the school that sees the glass as half full, rather than half empty. Innovative software technologies will underpin many of the fundamental shifts that we see in our society and our economy—everything from how we shop and access entertainment such as television and video to how we improve our transport networks and manage our scarce natural resources. In all those areas, new software systems will be the key enabler and driver of growth and innovation. As a result, the sector's importance extends far beyond its direct contribution to UK GDP and employment, vital though that is. The sector will be in the vanguard of our broader economic renewal.

The coalition Government are absolutely committed to creating the right conditions to allow software and other UK technology companies to flourish. That means responding to the sector's distinct requirements to ensure that the software businesses of tomorrow are nurtured today. Last week, the Prime Minister launched "Blueprint for Technology", which clearly stated the Government's ambition to make the UK the No. 1 place in the world to start and invest in a technology company, as well as our ambition to be the most technology-friendly Government in the world.

The hon. Member for Wrexham took huge exception to the fact that the blueprint was launched in Shoreditch, not Sunderland, and I assure him that I will be writing to the hon. Member for Hackney South and Shoreditch (Meg Hillier) to tell her that one of her party's spokesmen deems her constituency unworthy of the prime ministerial launch of a technology blueprint. The hon. Gentleman gave no reason, but if he wants to clarify why he has a downer on Shoreditch, he has only to intervene.

Ian Lucas: I would be delighted to intervene. I made it absolutely clear to the Minister, who clearly was not listening to my speech, that a commitment to the regions, which is so important to the future of the software industry across the UK, is lacking. I am sorry that Her Majesty's Government, and particularly the Prime Minister, have not, for example, put in place a local enterprise partnership in Sunderland, which is an extremely important industrial city in the north-east, where one of the world's most important automotive companies is based. I was illustrating the fact that the Prime Minister's priorities appear to be focused on the south-east, which is where he launched the blueprint.

Mr Vaizey: The hon. Gentleman might as well say that the fact that we are having this debate in Westminster indicates that the Opposition's priorities are focused on the south-east, rather than on Sunderland. It is slightly crass to rubbish the technology blueprint on the basis of where it was launched. It was launched in a Labour constituency, and the Government were absolutely adamant that it would be, to show our support for the Opposition.

As for the LEP, the hon. Gentleman well knows that individual local authorities and areas were invited to bid for an LEP. Sunderland's bid did not get through the first phase, and it is now part of a wider bid for the Tees valley. I am certain that it will be constructively listened to and will progress. The idea that the north-east is somehow not getting LEPs is another complete myth; indeed, the hon. Gentleman's speech was full of myths, to which I will return from time to time in my remarks.

For example, if the hon. Gentleman wishes to intervene again, perhaps he could elaborate on his remark that Google was rewarded for coming on board the east

[Mr Vaizey]

London project—along, I have to say, with important British companies such as Vodafone and BT—with a review of intellectual property. Is it his allegation that there is some corrupt deal between Google and the Government? If it is, he is free to intervene to make that point. I notice that he is not going to.

Software companies have said that their top priority is the ability to access the right skills in the right place at the right time. Those skills range from specialist capabilities in science and engineering through to practical know-how in systems maintenance. The relevant sector skills councils, including e-skills UK—the sector skills council for business and information technology—are working closely with software employers and the Government. The aim is to bring together the education system and workplace training to create the pool of skilled workers needed to generate and exploit innovative technologies. It is important to note that the Government announced early in their time in office the Livingstone-Hope review of skills for the video games industry, which is progressing extremely well and has generated enormous support from the sector. It will no doubt complement the other review that I mentioned.

The Government recognise that the software and technology sectors are globalised and highly mobile. We will therefore ensure that investors and entrepreneurs who want to operate in the UK can enter, while we are reducing the overall level of immigration to a manageable level. That is why the technology blueprint introduces a new entrepreneur visa to make sure that someone with a great business idea who receives serious investment from a leading investor can base their business in the UK.

Ian Lucas *indicated dissent.*

Mr Vaizey: The hon. Gentleman shakes his head. We all know the Labour party's record on talking about immigration, and we have been only too interested to see the leaflets that it was putting out during the election. Our policy takes a slightly more sober and reasonable approach to what can sometimes be an emotive issue.

Bridget Phillipson: The Minister may be aware that the Select Committee on Home Affairs, of which I am a member, gave careful consideration to the immigration cap. Some of the concerns that were raised, particularly from ICT companies, were about how it would work and whether it would be a deterrent for business investment, particularly in relation to highly skilled jobs such as those in scientific industries. I know that the Minister is making a party political point, but there are serious issues for the Government to consider about the working of the cap and the impact that it may have on the UK software industry.

Mr Vaizey: I should love the hon. Lady to point out what party political point I made. I was simply setting out our policy and the fact that we responded to the concerns in question with an entrepreneur visa. I noted that the hon. Member for Wrexham was shaking his head. Clearly, he simply opposes the policy for the sake of it, rather than considering what it does.

The blueprint also announces a review of the intellectual property framework, to ensure that its design will support the growth of both new and existing businesses. That review is incredibly important, because it will focus on the needs of small and medium-sized enterprises. We want to give our full backing to the high-growth, innovative companies of the future, whether they specialise in software or other disciplines. Part of preparing for the future is looking critically at the frameworks that we have in place to protect innovators. The review will focus on identifying and dismantling barriers to growth in the IP system, and will look at how the IP framework could better support new business models as they develop.

The third important element of our blueprint is the framework for supporting future technological innovation in software and other disciplines. We are now pledged to establish a network of elite technology and innovation centres, based on the model proposed by Hermann Hauser and James Dyson, to commercialise new and emerging technologies in areas where there are large global market opportunities and a critical mass of existing UK capability. The recent comprehensive spending review has provided £200 million of funding for the technology centres over the next four years. The network will be overseen—in answer to the questions of the hon. Member for Wrexham—by the Technology Strategy Board. Individual centres will operate with a high degree of autonomy, to give them the flexibility to respond to business needs and emerging opportunities, but the board will provide the overarching framework.

Our vision for technology and innovation centres is that they should help industry sectors to exploit new and emerging technologies, and bridge the gap between original research and technology commercialisation, reducing some of the attendant risks to business. I am aware of the issue from my constituency where there are several high-tech companies that can benefit from spin-off research. Each idea appears to me to be potentially world-changing, but the struggle they have to take that research to market and commercialise it cannot be underestimated. The centres will support projects that businesses and universities often cannot undertake, or that they do not have sufficient incentive to undertake on their own. They will help new technologies get to investment readiness so that they are a viable proposition for venture capital or other forms of investment, and will help, we hope, to accelerate their journey to market.

We want to get the network up and running as soon as possible, so the Technology Strategy Board will work closely with industry, stakeholders, and the Government to identify the priority sectors, the scale of initial investment required and the governance structure for the network of centres by April 2011. I urge the hon. Member for Houghton and Sunderland South and any other hon. Members who are interested in the issue to contact the board to discuss it.

The Technology Strategy Board plays an important role in supporting the software sector. It already supports innovation among software-intensive firms in a number of ways, either through sector-specific programmes or through cross-sector projects designed to deal with a particular challenge, such as low carbon. It also backs the software sector via initiatives such as knowledge transfer partnerships. Several of the Technology Strategy Board's programmes routinely invest in initiatives where

more than 90% of the business activities are software-related. That is true of its information technology programme, as well as its creative industries, intelligent transport and network security programmes. In addition, the board has identified its recently formed digital programme as one of its five strategic priorities in the period ahead. In total, over the past year the board has launched 13 software-intensive competitions for projects with a combined value of around £100 million, including £50 million of private investment.

Some other issues were raised, including broadband. Again, some myths were propagated by the Opposition. I think that we all agree that superfast broadband and that kind of infrastructure is essential to the future of the economy. However, I find it odd that the Opposition seem to believe that we have reneged on a promise, or that we do not share their view of its importance. The previous Government had a very poor ambition, which was simply to get universal broadband of 2 megabits at the end of 2012. They proposed to pay for that with a telephone tax that would have hit some of the poorest in society, as well as being a disincentive.

Jim McGovern: Will the Minister give way?

Ian Lucas: Will the Minister give way?

Mr Vaizey: I will take the intervention of the more senior Member first.

Jim McGovern: On the subject of promises, prior to the general election, the Minister was quoted—I shall have to paraphrase—as saying that his party unequivocally supported tax breaks for the computer games industry. What has changed his and the Chancellor's mind?

Mr Vaizey: As to promises, the hon. Gentleman's party said in, I think, the 2001 election manifesto, that they would not introduce tuition fees. So if the hon. Gentleman wants to accuse me of broken promises, perhaps he should look to his own party's huge record of broken promises, not the least of which is leaving the British people with the biggest deficit in peacetime history, having promised to end boom and bust.

As I said, the telephone tax would have been a huge disincentive to investment. It would have hit small businesses and the poor—all for the paltry ambition of 2 megabits universal broadband.

Ian Lucas: Will the Minister give way?

Mr Vaizey: Let me develop the policy. Then the hon. Gentleman can come in. He does not have a broadband policy, so perhaps he should listen to someone who does. Then he can make his point—if I may set out our policy.

Ian Lucas: On a point of order, Mr Weir. Is it in order for a Minister to misrepresent the stated policy of Her Majesty's Opposition and not to allow an intervention so that he can be corrected about that?

Mr Mike Weir (in the Chair): It seems to me that that is a matter for debate, not for the Chair.

Mr Vaizey: Thank you, Mr Weir, for reminding the hon. Gentleman that he has plenty of opportunities to make his point. It is a bit rich for a Labour politician to talk about the misrepresentation of other parties' policies, given what we have seen in the news this week, after the first election court for almost a century was called on the basis of Labour party leaflets in the general election. Sheer brass neck does not even begin to describe it.

This is a debate in which I have an opportunity to set out our policy on broadband in response to the comments of the hon. Member for Houghton and Sunderland South about its importance. That is what I intend to do.

As I said, we want the best superfast broadband in Europe by 2015. We have secured the funding for it—£530 million to the end of the spending review, and a further £300 million after that. We have launched four super-fast broadband pilot projects, in the highlands and islands, Herefordshire, Cumbria and North Yorkshire, so that we can identify early lessons and work out how to proceed in the most cost-effective way. We shall also launch in more detail at the end of the year our policy on broadband, setting out some of the nuts and bolts issues. We have made huge progress on regulatory issues, such as duct access for competitors to BT and the opportunity to roll out broadband on telegraph poles.

Justin Tomlinson: On new developments, are there any thoughts about treating broadband in the same way as utilities such as gas, electricity and water? Having been a councillor representing new developments that have waited years for broadband access, I know that the introduction of that would be welcome.

Mr Vaizey: That is certainly a very important element of the question. I hope that we shall shortly be able, with the Department for Communities and Local Government, to publish a code for developers, to ensure that broadband is at the heart of their thinking.

Ian Lucas: I want to correct the Minister simply on a point of fact. The change to 2-megabit broadband was to be funded out of the money that he is using from the BBC licence fee—money that was left over from the digital switchover. The telephone tax was for the development of high-speed broadband. That was the position, and if the Minister wishes to, he can read about it in "Digital Britain".

Mr Vaizey: I have read that report, and I am happy to stand corrected. We are in a similar position, except for the fact that the Government are not imposing a tax; we plan to get superfast broadband to as many people as possible by 2015, while the Labour party remains stuck in the slow lane at 2 megabits.

I now tackle the thorny issue of video games and tax breaks. Again, I shall try to knock down a few of the myths that have been propagated. To hear Labour Members speak, one would have thought that the land of milk and honey had arrived with the last Labour Government. When I was Opposition spokesman, I sometimes felt like a lone voice when talking about the success of the video games industry over the last three or four years. However, I pay tribute to the hon. Member for West Bromwich East (Mr Watson), who has been a fantastic advocate of the video games industry.

I remember that the Labour Government ruled out a video games tax break. When in opposition, we mentioned competition from Canada, and were told that the Government were going to refer the matter to the World Trade Organisation. However, a chance conversation

[Mr Vaizey]

with an insider revealed that that was a red herring. When I tabled a parliamentary question about it, the Government were forced to perform a U-turn and reveal that the reference to the WTO was an excuse for inaction. Finally, they were converted to a video games tax break.

At what point did that amazing conversion come? Was it at the beginning of a Parliament, when the Government had a strong majority and a lot of energy? No; it came with the last Budget of a discredited Government who were about to lose an election. They knew that they would not have to implement that tax break—and it was not implemented. It was an extraordinary U-turn; despite the comprehensive spending review of October the year before, that decision would still have had to go to Brussels for approval. The sound of Labour MPs clambering on to bandwagons now that they have no public policy responsibility for the matter is quite extraordinary.

Jim McGovern: I resent the Minister's comment that Labour Members are jumping on a bandwagon. I have supported the computer games industry in Dundee for a number of years, and several Ministers have visited us. Why did Ministers not visit Dundee prior to withdrawing the tax break?

Mr Vaizey: Dundee is an incredibly important part of the video games sector in the UK. We have invested £2 million in the university of Abertay to support video games, but video games do exist in other parts of the country, and it is not essential to visit Dundee to decide whether we should have a tax break. But I intend to visit because it is a pioneering area with a world-class university. I am raring to get up there. Indeed, given the austere times that we live in, I hope that the hon. Gentleman will put me up for the night. It is a bit odd for Labour MPs to claim that if you cut them open, "video games tax relief" will be written on their hearts; the relief was a political ploy to win support from the industry in the run-up to the election, and they knew full well that they would not have to implement the policy.

Let us be clear about it: people want a video games tax break because of the competition that we face from Canada. A tax break is not a panacea; France has a tax break, but we have a more successful video games industry. Canada does not have a national tax break for video games. It has two strong regional Governments who actively compete for the video games industry; they made that decision 10 or 15 years ago and they are throwing money at the industry. They are handing over millions of dollars—there is nothing wrong with that—to tempt developers and publishers to base themselves in Canada, and that means salary holidays, rent holidays and other kinds of support.

I want to put in place a strategy for the video games industry—for example, so that it can access the regional growth fund that we announced, and can take advantage of the numerous funds that I have discovered in the Department for Business, Innovation and Skills. Partly because of exchange rates, we are close to Canada, even without a tax break. One company that has invested in Canada showed me the numbers; without breaking commercial confidentiality, I can say that there was a difference of about 10 or 15% in costs per employee. However, as the hon. Member for Southport mentioned, we have a fantastic skills base, and that is another important reason to invest here.

This has been a good-natured and good-humoured debate in which we have found a great deal of common ground, huge support for the software industry and a passion for the video games industry. There has been recognition of the pioneering role of the north-east and Sunderland in ensuring that the UK remains a world leader in this important industry. I set out our policies—the technology blueprint, our plans for technology innovation centres and entrepreneur visas, and our plans to review intellectual property law. However, there is broader support, too.

I was disappointed to hear that it is now the Labour party's policy to push up corporation tax. Under this Government, corporation tax will fall year on year; that is an important point to make. We have also increased entrepreneurs' relief for capital gains tax. Our tuition fees policy is progressive, and it will mean people paying back their debt when they are at a higher income level than applied under the Labour Government. We have made significant progress in empowering our universities. As the hon. Member for Southport pointed out, despite Labour's U-turn on tuition fees, their introduction did not stop people wanting to go to university.

I was privileged to be at the graduation of four apprentices at Culham Science Centre in the constituency of my hon. Friend the Member for Henley (John Howell). It is worth remembering that we have a fantastic Minister for Further Education, Skills and Lifelong Learning in this Government; he has put together a national apprenticeship policy, which is important for high-tech industry. People leave school and go on to be apprentices, and the four whom I met were formidable. As the head of the Culham Science Centre said, they are as qualified as any graduate, but have been paid for four years and have no debt. Many will be going on to do higher degrees. They will be at the heart of a high-tech industry in Culham. Thanks to that Minister, this Government, unlike the last, have—at long last—a clear policy to promote apprenticeships and skills, which are important to both the IT and software industries.

I cannot read the face of the hon. Member for Houghton and Sunderland South, and I am not sure whether I have allayed all her fears, but she seems to be in a slightly happier mood than when the debate began. I am happy to sit down with her and talk through the issues at a later date, and to visit her in Sunderland.

Local Enterprise Partnerships (South-West)

10.59 am

Mr Ben Bradshaw (Exeter) (Lab): A more accurate title for this debate than local economic partnerships in the south-west would be the absence or lack of local economic partnerships in the south-west. When the Government launched their flagship regional economic policy the week before last, most of the south-west was completely missing. Only Bristol and Cornwall are covered by these new bodies.

This sorry saga began with the Government's ideologically driven determination to abolish the regional development agencies. That of the south-west, like most of those around the country, was successful. It had brought much-needed strategic coherence to our region, as well as valuable investment. It had managed to overcome the age-old political in-fighting between the different parts of the region, and the RDA could take a view as to what was in the interests of the region as a whole. I am afraid that, like so much of what the coalition Government are doing—and in spite of the Business Secretary's support for RDAs before the election—regardless of their merits RDAs had to go, because they were a Labour creation.

Soon after the election, in preparation for the new policy, the local business leaders in our half of the region—led by Tim Jones and the Devon and Cornwall business council—started an early promotion of the idea of a peninsular local economic partnership, comprising Cornwall, Devon and Somerset. The business community felt scale and capacity were vital for these local economic partnerships to succeed, and I wholeheartedly agree. In his letter of 29 June, the Secretary of State invited local areas to come together and put forward bids for LEPs in their areas by 6 September. That precipitated a two-month period of chaotic negotiations, lobbying and planning. That happened largely behind closed doors and was led, not primarily by business, as was supposed to be the case, but by the upper-tier local authorities—in our case, Cornwall, Devon, Plymouth and Torbay. Somerset county council was effectively frozen out of those discussions. It was clear that the four upper-tier authorities in Devon and Cornwall did not want Somerset's involvement in the discussions or in any subsequent local economic partnership for the area.

My own local authority, Exeter city council, and the Exeter business community, led by our chamber of commerce, were totally excluded from the discussions. They were never formally consulted on any of the emerging proposals. That was in spite of numerous requests to be involved as one of the two key economic drivers in our peninsula. Exeter's exclusion was also in clear contravention of an instruction in a letter of 25 August from the Minister with responsibility for decentralisation, the right hon. Member for Tunbridge Wells (Greg Clark), to Gary Porter, chair of the district council network, in which the Minister said,

"It is essential that district authorities are included."

He went on to say that he did not expect county councils to act as "sole building blocks", and that

"We want to see economic geographies reflected in proposals, not just administrative ones."

It soon became clear that Cornwall, as is so often the case, wanted to go it alone—a move unfortunately endorsed by the Government for political purposes, much to the consternation of the Cornwall business community and business leaders in the rest of the peninsula.

I have a number of questions for the Minister today. First, does he agree with me and the business community in the west country that local economic partnerships should have sufficient scale to add value and to have clout? Does he also agree that they should reflect real functional economic areas? Is it not the case that the first of those objectives has been compromised by his Government's decision to accept Cornwall's bid to go it alone? Is it not also the case that the Cornwall bid did not meet the criteria the Government laid down and did not enjoy sufficient business support? Will he explain how, exactly, a Cornwall local economic partnership will differ from or add value to the economic development functions of the unitary Cornwall county council? Does he also agree with me that it is vital urgently to salvage something from this sorry mess, and that the most sensible solution would be for Devon, including Plymouth and Torbay, to work with Somerset and, if they are interested, those western parts of Dorset that look west rather than east? Will he confirm that the Government have been pressing such a solution?

When questioned in the House on the day of the announcement, the Business Secretary blamed the situation in the west country on the lack of agreement between the local authorities involved. That, I am afraid, is an understatement. In spite of the fact that Devon, Somerset, Plymouth and Torbay are all Conservative-controlled councils, which one might think would make the process of negotiation easier, they have been fighting like rats in a sack. We have seen a return to the worst sort of petty political in-fighting that blighted economic development so badly in our region in the past, and was one reason why Labour set up the RDAs in the first place. I understand that there is little love lost between the Conservative leaders and the councils involved. At one stage, to illustrate the ludicrousness of the whole process, Somerset became so frustrated by Devon county council's behaviour that Somerset suggested a tie-up between it and Cumbria, based on the nuclear industry.

Will the Minister please start banging some heads together and tell his political friends in the south-west that they must stop their childish squabbling and work together in the interests of the public and local businesses? If they cannot, or will not, do that, will he please tell them to get out of the way, and let the business community get on with it? Business leaders are keen to move forward with a partnership on the basis I have outlined.

Anne Marie Morris (Newton Abbot) (Con): I am delighted that the right hon. Gentleman has given this debate an airing, because it is crucial that we have LEPs in the south-west. Would he agree with me that, in the vein of what he has just said, we should put political divides aside and move forward and get an LEP for Devon, and I suspect for Somerset, as quickly as possible? I believe the business community is now absolutely behind it.

Mr Bradshaw: The hon. Lady is right; the business community is behind it. The point I was trying to make is that this is not about putting political differences

[Mr Bradshaw]

aside, because the four local authorities involved are all Conservative controlled. They do not—or should not—have political differences but they have been completely incapable of working together on a sensible local economic partnership for our region. I hope we can see them make swift progress toward doing so now. If they will not do it, I want the Minister to tell the local authorities to get out of the way and leave the field clear for the business community, which, as the hon. Lady rightly says, is keen to make progress, so it can put in a bid. Will the Minister confirm, on that basis, that the business community is entitled to come forward with a bid—that it is perfectly possible for it to bypass the fractious local authorities? Will he assure the business community and me today that the Government would look favourably on such a bid? Will he also reaffirm the instruction of the Minister with responsibility for decentralisation: that it is essential that Exeter, which is so important for our region's future prosperity, be included at the table? If I were the Minister here today, I would be hopping mad at Devon's deliberate and calculated rebuff to his colleague's instruction that Exeter should be included in the process.

As the head of Britain's leading business organisation, the CBI, said recently, this process has been a shambles. We now know that the Minister's own colleague, the Minister of State, Department for Business, Innovation and Skills, the hon. Member for Hertford and Stortford (Mr Prisk), warned the Business Secretary in a letter of 14 September that the Government's local economic partnerships were in danger of failing. I quote from his letter:

"There is a strong view amongst the business community that many LEPs lack the ambition to make significant economic impact undermining our agenda for growth. Key messages I have been made aware of include: a lack of credible business representation on LEPs Boards; negotiations dominated by local politics and a lack of a clear focus on economic growth. They also report different messages coming from Government about LEPs. John Cridland [of the CBI] specifically was concerned that the process has not been transparent, business engagement was poor overall and exacerbated by a tight timescale. He and other senior business leaders from Tesco and Ford have expressed their concern that in their view the policy is in danger of failing to aid economic growth."

That is exactly what the Labour party warned would happen if the Government went ahead and abolished RDAs. The public and businesses of Devon and most of the south-west have been badly let down by the Government, and the Minister and the Government need to get a grip before it is too late.

11.9 am

The Minister for Further Education, Skills and Lifelong Learning (Mr John Hayes): It is a pleasure to speak on this subject and I congratulate the right hon. Member for Exeter (Mr Bradshaw) on securing this debate. I think that he and I first faced each other many years ago when he was fisheries Minister. In those days, he was in government and I was in opposition, but to the relief of fishermen, their friends and many other people, the boot is now on the other foot.

I thank the right hon. Gentleman for drawing these important matters to the attention of the Chamber. Creating the right framework for local economic growth and renewal in the south-west and throughout the whole country is an important issue that the Government take seriously. Indeed, it is one of our core priorities. As my Department—the Department for Business, Innovation and Skills—is the Department for growth, I am pleased to be able to respond in that spirit.

It is important to understand that as we manage growth, and as we stimulate business to deliver the additional growth that we need to move from recession to recovery and ultimately to prosperity, we take account of the economic profile of different parts of the country. Contrary to what was at least suggested in the right hon. Gentleman's remarks, this issue is not a matter of disagreement among the coalition partners. The two partners in the new coalition Government are both committed to the principle of having a local, regional and sub-regional structure to stimulate growth; we have been committed to that principle before and after the election.

Local enterprise partnerships are a vital element in the broader reforms that we are implementing to create the new framework for local growth. They are underpinned by three important principles, which I shall outline at the outset. The first principle is that the economic geography of our country is not fixed, but changes as the character of the economy changes. It is widely understood that as economies advance, their needs—for example their skills needs—also advance. However, it is not so often said that economies also become more dynamic as they develop, and our prospects for growth will depend on creating the right framework to facilitate and stimulate that dynamism.

The second principle is that economic prospects can be transformed when enterprise is free to innovate. That additional freedom is about creating the right conditions in which entrepreneurs, businesses and commerce can thrive. I think that it would be vulgar to make too many narrow party political points, but I am not sure that even the greatest advocates of the last Government would argue that they had created the right environment for business to thrive.

The third principle is that lasting economic renewal requires civic and business leaders to feel empowered to shape their own community and its economic interests. That principle has long been embedded in our assumptions about the role of local government. At district, unitary and county level, local government has long had an economic purpose: to produce an economic development strategy and to ensure that that strategy married with the wishes and desires of local business people, as well as those of the wider population, in the interests of the common good.

I believe that private enterprise is the dynamo that will power our future prosperity and fuel the innovation that will underpin our future global competitiveness. The White Paper on local economic growth, which was published on 28 October, sets out our detailed proposals, as the right hon. Gentleman acknowledged. Those proposals are designed to promote economic development and spread economic opportunity right across the country, and they rest on four foundations.

The first foundation is the strengthening of national economic leadership for the activities that enable the UK to compete internationally: trade, inward investment and innovation. At the risk of digressing—I know that you will not let me digress too much, Mr Weir—I also

will add the issue of skills, which was referred to in the previous debate by the Under-Secretary of State for Culture, Olympics, Media and Sport, my hon. Friend the Member for Wantage (Mr Vaizey). Skills are critical for driving economic growth, because if an advanced economy is to become more dynamic, its skills needs also need to become more dynamic and advanced. That is why we are putting so much emphasis on skills, and I hope that I will be forgiven for repeating the fact that we are making apprenticeships the pivot of our skills policy, with substantial additional investment. Indeed, many business people have written to the national press today to celebrate that fact.

The second foundation of our proposals is investing in crucial infrastructure such as broadband and high-speed rail. As you know, Mr Weir, the Government have already said much about that. The third foundation is establishing the regional growth fund to support jobs and growth, which is worth £1.4 billion over three years.

The fourth foundation of our proposals is to create local enterprise partnerships, which is the central issue of this debate. However, before I deal with the specific matters on which the right hon. Gentleman understandably concentrated, let me set out the case for local enterprise partnerships before I say a little about their application in the south-west.

If we are to succeed in rebalancing the national economy and kick-starting local economies, including in the areas that the right hon. Gentleman mentioned, we need a framework that recognises the economic geography of the country rather than one that is twisted to fit arbitrary administrative structures. I think that I can warmly support what the right hon. Gentleman said in that regard. I believe he said that the system should match "real" areas of economic growth and economic interest rather than being an artificial construction.

The role of LEPs in those terms will be to build genuine and effective partnerships of local business and civic leaders. Once again, I do not think that there is any disagreement between us on that point. I have already mentioned the long-standing commitment of local government to economic planning, and indeed to economic development. That idea is central to what I think is our shared understanding of the role of these new LEPs. It is absolutely right that civic leaders who identify with their area, share an ambition to grow the local economy and believe in creating jobs, wealth and so on should play a part in ensuring that measures taken by Government and other agencies match the priorities of their local area.

Duncan Hames (Chippenham) (LD): Given those requirements, will the Minister tell us what the Government consider should be included in the bid for an LEP, including what requirements the bid for a Wiltshire LEP is yet to meet? Will he also explain to us the timetable for the announcement of further LEPs?

Mr Hayes: The hon. Gentleman knows that I will not go into details about a timetable because he also knows, given his interest in the particular matter to which he refers, that that is very much under discussion. Indeed, representations that have been made in that area are being considered in detail by my Department. As he is probably aware, there is an ongoing discussion between the locality and the Department. However, it is reasonable to say that we do not want any undue delay in establishing the parameters of each area, because to do so would create uncertainty. The right hon. Member for Exeter is right that we need to establish the parameters within which people are going to work clearly and reasonably speedily so that we can then move forward to the next stage of development. I will therefore not give the hon. Member for Chippenham (Duncan Hames) a definitive answer now, but I think that he will understand the emphasis that I have placed on dealing with the perfectly proper intervention that he has just made.

Let me go on to talk a little about how we will assess success, because I think that that issue relates directly to the hon. Gentleman's intervention.

Neil Carmichael (Stroud) (Con) *rose—*

Mr Hayes: Before I do so, however, I give way again.

Neil Carmichael: I would just like to make a couple of points about LEPs. The first, of course, is that they really should co-operate with each other. I would certainly expect to see such co-operation when Gloucestershire's relationship with Swindon—or some other relationship—is established, particularly in connection with the west of England LEP, which is of course centred around Bristol. My second point—

Mr Mike Weir (in the Chair): Order. Will the hon. Gentleman resume his seat? This debate is about the south-west. I think that Swindon might get into that region—my geography of southern England is perhaps a bit uncertain—but I think that the west of England does not form part of the debate.

Neil Carmichael: May I just say that all Back Benchers in the Chamber at the moment are south-west Members? I am; the right hon. Member for Exeter (Mr Bradshaw) is; the hon. Member for Chippenham (Duncan Hames) is; and my hon. Friend the Member for Newton Abbot (Anne Marie Morris) is.

Andrew Jones (Harrogate and Knaresborough) (Con): I am from Yorkshire.

Neil Carmichael: My hon. Friend is not from the south-west. Nevertheless, this is an important question, because what happens in Cornwall or Somerset affects what happens in Bristol or Gloucestershire, because they are in the south-west and all under the one regional development agency which, thankfully, will be abolished in 2012.

My second point is about the necessity for local authorities to co-operate with each other, specifically in connection with economic development, and I think that that point needs to be discussed in this debate.

Mr Hayes: I am delighted to say that my hon. Friend is absolutely right that local authorities should co-operate with each other in pursuit of that objective of economic development. We would expect them to co-operate, but the early stage will inevitably involve a process of negotiation and of bid and counter-bid. That is not unhealthy, provided that it does not delay progress unduly and

[Mr Hayes]

Government play a helpful mediating role in assessing those representations against the core criteria, which I am about to discuss.

We announced the first wave of successful LEPs alongside the White Paper on 28 October. The first 24 partnerships—of many more, I am sure—all shared certain characteristics. Perhaps it will help the hon. Member for Chippenham and my hon. Friend the Member for Stroud (Neil Carmichael) if I describe those characteristics: they have a strong local identity; they have a buy-in from the business community; and they are a testament to the ambition and ingenuity of local people. That is what we expect of local enterprise partnerships.

In the south-west region, we received seven applications, two of which were approved. Each of the remaining five groups of applicants has been asked to do further work to develop their proposals, and we are supporting them as they do so. I understand why the right hon. Member for Exeter is making a strong case for his area—it is right that he should do so—but he should know that Devon, Plymouth and Torbay have been asked to hold further discussions with local business, civic leaders and the Government to develop the long-term vision for their partnership. In addition, they have been asked to consider in more detail their economic links with neighbours, particularly Somerset. The chief executives of Devon, Torbay, Plymouth and Somerset have embraced that feedback and are working together to secure the best outcome for their area, and we hope to say more in due course. The right hon. Gentleman will also be mindful that I have said that undue delay would be unhelpful.

Anne Marie Morris: I am delighted to hear what the Minister is saying. I am glad that progress is being made, and I welcome LEPs. They are absolutely the right vehicle, and the combination of local government and businesses is on point. I ask that a decision be made quickly—subject to all the bodies concerned giving him all the information that he needs—so that the deadline to apply to the regional growth fund is not missed. I hope that that will be present in his thinking and timeline, even though he cannot be specific.

Mr Hayes: My hon. Friend, like me, will want to ensure that the criteria are applied robustly and consistently. The right hon. Member for Exeter made the good point that we need to be certain that the marriage between local authorities is right, as is the link between them and business. I repeat that I share the view that the construction of areas should reflect their economic profile. That seems fundamental to making the scheme work well.

The right hon. Gentleman mentioned Cornwall, so I will give him a straight answer. Cornwall made a powerful argument for a local enterprise partnership covering Cornwall and the Isles of Scilly, making it clear that it was a functional area. The Department examined it closely and we decided, in the end, to support the partnership. I know that counter-arguments will be made, but as he knows from his long experience as a Minister, the Government sometimes have to take decisions. We took that decision, and I think that we can justify it based on the criteria that I have outlined. People from Cornwall would certainly argue that the area's profile is very particular. The right hon. Gentleman will know the economic challenges that face Cornwall. Its issues include skills, employment and the character of the local economy, which legitimises the case that Cornwall made.

South-west Members, including the right hon. Gentleman, understandably make the argument that they do not want the south-west to be left behind. I assure him that we are keen to see as many local enterprise partnerships taking root as possible, both across the whole of England and in the south-west. We do not want any part of the country to be left behind, so as soon as a bid can demonstrate that it meets the assessment criteria, it will be given the green light.

I will say a word about Exeter in particular, as the right hon. Gentleman would expect me to do. I am aware that he is worried that his constituency might suffer disadvantage and that it will not be able to bid to the regional growth fund because it is not part of a partnership. Let me reassure him that although we expect many LEPs to submit project bids to the fund, it is not a prerequisite that applications for funding must be submitted by partnerships—any public-private partnership may apply. Exeter's business community and local council—along with other potential partners, such as the city's excellent university, which he and I both know—may work together on an ambitious plan for economic development and then apply for funding accordingly. Indeed, I take this opportunity to encourage them to do so. I know that the right hon. Gentleman, as a diligent local Member, will work with them to make it a success.

Mr Bradshaw: My concern was not simply that Exeter would not be able to access the funds; it was more about the whole process. Devon county council has deliberately excluded Exeter, for which it was criticised by the hon. Gentleman's ministerial colleague in the letter that I quoted. Will he deliver a message to Devon today that Exeter needs to be at the table?

Mr Hayes: Although the right hon. Gentleman probably did not know it, he was quoting a letter to the leader of my district council, Councillor Gary Porter, who also holds national office. I know that Councillor Porter was anxious to ensure that district councils played their part.

The Government's position is clear and resolute. We want local government to play a part. Local government is, as I said earlier, district, unitary and county government. Circumstances will differ in different parts of the country, and that encourages—indeed necessitates—different approaches. We do not take a vanilla-flavoured view about what will emerge, although we are clear that the criteria must be met. The criteria should be consistent, but the character of local partnerships might be different, given that the local economic profiles of various parts of the country differ. We want all partners to be involved. As I think I have suggested, there is a degree of permissiveness about who may bid.

Given that enterprise, investment and innovation are the south-west's route to lasting prosperity, as is the case in other parts of the country, we are clearing away the panoply of failed quangos that we inherited and replacing them with local enterprise partnerships as

part of our new framework for economic growth and renewal. The new framework will recognise functioning local economies rather than imposing arbitrary boundaries. It will offer civic leadership and a genuine partnership between local businesses and councils instead of assuming that Whitehall knows best. It will be less about targets and micro-management, and more about the inspirational qualities of local businesses and local people. It will combine a strong voice for business with democratic accountability to local people. It will also have the flexibility to respond to local economic priorities.

The Government are determined to make the next decade the most dynamic and entrepreneurial in Britain's history. Britain's future can be as great as its past, and local enterprise partnerships have a vital role to play in making our ambition a reality.

11.28 am

Sitting suspended.

Science Research

[ANNETTE BROOKE *in the Chair*]

2.30 pm

Nicola Blackwood (Oxford West and Abingdon) (Con): I am absolutely delighted to have secured today's debate on science research. The contents of my inbox show that Oxford West and Abingdon is a constituency that surely must contain more STEM—science, technology, engineering and maths—researchers and science-based companies per square mile than any other, and it is a great privilege to represent them today. My predecessor was a great advocate for science and I aim to continue his excellent work to the best of my ability.

Although I am not a scientist, as the daughter of a very single-minded doctor, I spent many a breakfast time having the parasympathetic nervous system or the role of the white blood cell explained to me in great detail—Rice Krispies were never quite the same to my seven-year-old mind. Despite my father's best efforts, I did not follow him into medicine, but he succeeded in instilling in me a deep respect for the value of science research—not only for the future of medicine, but for giving our industrial sector a competitive edge, for developing a greener transport system and a more advanced telecoms infrastructure, and for giving our troops the best intelligence and protection possible. Most importantly, my father taught me the intrinsic value of looking at the world as a problem solver and about the innate desire in all scientists to understand better how the world around us works. We must protect and strengthen that sense of curiosity. Perhaps speaking up for this issue today will make up just a little for my non-medical career path.

Medic or not, I understood from the moment I was selected and had knocked on my first door as a candidate the value that my constituents place on science. As a candidate, I visited Begbroke science park with my right hon. Friend the Member for Havant (Mr Willetts)—he is now the Minister for Universities and Science—where we glimpsed just the tip of the iceberg of the richness of STEM-based research and industry in Oxfordshire. Since then, I have had the opportunity to meet businesses such as Nexeon, which is developing next-generation lithium batteries. I have also met Professor Rawlings and some of his team to hear about the role that Oxford university's astrophysics department is playing in the extraordinary square kilometre array project. In addition, I have visited the Joint European Torus at the Culham centre for fusion energy, where many of my constituents work.

Just last week, I took part in the Royal Society's MP-scientist pairing scheme, which does exactly what it says on the tin. The scheme was set up in 2001 to help build bridges between parliamentarians and some of the best science researchers in the UK by pairing MPs and scientists in an exchange programme. More than 200 MPs have taken part in the scheme including, I understand, the Minister himself. The pair spend one week in Westminster, during which the scientist has the opportunity to observe an MP in their natural habitat, while in the second week the politicos venture into the laboratories, so both scientists and politicians get a chance to walk for a week in the other man's shoes. Such a scheme offers the hope of better networks between Westminster and the science community and

[Nicola Blackwood]

aims to lead to more evidence-based decision making in Parliament, more targeted lobbying from the science community, and far better communications between both sides. Perhaps it might even tempt a few more scientists into Parliament.

When I participated in the scheme, I had the good fortune to be paired up with no less a luminary than Professor David Wark, who is fellow of the Royal Society, a leading international authority on neutrino physics and—along with his family—my constituent. I obviously cannot speak for him but, so far, I have found the experience extraordinarily eye opening. The Government's statement on higher education, my meetings with Oxfam about the situation in southern Sudan and my meetings with the Independent Police Complaints Commission on the challenges facing policing have all been reflected back to me through the prism of a particle physicist's perspective. I have yet to find out what I will learn from accompanying Professor Wark to his work at Rutherford Appleton laboratory, but I can only hope that, during that time, I will gain a deeper insight into how Government policy can better encourage and support science research and development in the UK.

One of the ways the Government can do that is, of course, is to keep funding science. Before the comprehensive spending review, my inbox was filled with e-mails from science supporters who were deeply worried that the cuts would fall especially hard on science. The Chancellor's extremely welcome decision to freeze the science budget in cash terms at £4.6 billion a year was therefore a great relief to many. I thank the Minister for the role I am sure he played in securing that commitment, but it still represents a cut of roughly 10% over four years. Even with the speculated savings, that will be a challenge for a historically underfunded area. We also need to consider the announced reductions in university funding. Although such reductions are sustainable, they do not represent any real closing of the funding gap for major research universities competing on an international stage, and that is cause for concern.

I am sure that the Minister is aware that UK scientific research is among the best in the world. With just 1% of the global population, the UK produces 11.8% of the world's scientific citations, which are the most reliable measure of academic excellence. The UK also has three of the world's top 10 research universities, one of which is, of course, in my constituency. All that has taken place despite the comparatively low funding that UK science receives. In 2007, for example, Germany, the USA, and France spent 0.71%, 0.77% and 0.81% of their gross domestic product on public research and development, while the UK spent just 0.55%.

Clearly, UK science already does extraordinarily well with less, but just think what we could do if there were a level playing field. In the context of the current fiscal situation, increasing research and development spend might not be immediately possible, but it is worth noting that our competitors, such as Germany and the US, are both increasing science funding in real terms. They recognise, as I believe the Government do, that STEM funding is not a net loss to the country, but an investment in the smarter, greener and more sustainable growth that all hon. Members agree should be our aspiration.

To achieve that growth with the kind of investment we are able to make right now, we have to make absolutely sure that we spend the money in the best possible way. One of the key concerns raised with me is that the short-term funding models of our four or five-year Governments are naturally at odds with the more long-term investment that is typically needed to reap significant results from STEM R and D. Moreover, the frequent changes of funding models and strategies undermine the stable growth in STEM fields. Our top priority, therefore, must be to outline as clearly as possible the entire funding structure and the Government strategy for STEM, not only so that current researchers will be on solid ground with their planning, but so that graduates and students deciding on their career paths will know that the Government value them and that they have a secure future in the UK.

We are in an environment in which we risk losing our best graduates to other countries' facilities if we cannot assure them of our long-term commitment to funding research programmes in the UK. Inward investors must be shown that this is a sector to which the Government are fully committed, both through funding and by creating a competitive and attractive R and D environment.

In that spirit, will the Minister clear up a few uncertainties that have remained following the spending review? Research councils' capital expenditure has been excluded from the science settlement. The total capital budget available to the Department for Business, Innovation and Skills next year has been set at £1.8 billion and will fall to £1.1 billion the following year. However, it is not clear how much of that will be made available for science and research. As well as investment in bricks and mortar, such as new labs, that capital spend supports the maintenance of existing facilities, training, and investment in essential but non-tangible infrastructure, such as digital. A significant reduction in capital expenditure funding will potentially lead to funds being diverted away from research and into facilities maintenance.

The Science and Technology Facilities Council is the research council that relies most heavily on capital expenditure. By way of background, it is worth noting that it is also the research council that the previous Government created in 2007 from the Particle Physics and Astronomy Research Council and the Council for the Central Laboratory of the Research Councils. That merger was administered in such a ham-fisted way that it led to an almost catastrophic funding crisis in particle physics, nuclear physics and astronomy, which arose in part because the capital liabilities of the CCLRC meant that funding for research had to be diverted into funding expensive facilities. Today, those facilities—such as the Diamond synchrotron and the ISIS neutron source in the Minister's constituency—are the responsibility of the STFC, along with the experiments now running in CERN, the Institut Laue-Langevin and the SKA project I mentioned earlier. In short, capital expenditure makes up more than a sixth of the STFC's entire expenditure.

In case anyone listening thinks that spending on such physics experiments is a luxury that can be forgone in times of austerity, let me assure them that that is not the case. The Wakeham review of physics found that 6.4% of the UK's GDP came from physics-based industry. A constituent recently sent me some excellent examples of the valuable real-world outcomes of research at the ISIS neutron source. The ISIS has improved the medicine

that is sprayed into new-born babies' lungs to help them breathe and has created a new technique to fix cleft palates in babies. It is performing vital research that is needed to make hydrogen fuel cells market-ready so that they can play their role in solving the energy crisis. It also performed the majority of world research on data storage and LCD screens more than 20 years ago, which led to innovations such as the iPod and the modern laptop, which illustrates the role that physics plays in major industry. In addition, it studies why oil companies' pipes clog, which is a problem that leads to billions of pounds of losses for those companies and the UK economy each year.

Despite the Government's commitment to the Diamond synchrotron, which I know the Minister welcomed as much as I did, he will recognise that there are many worried STEM researchers who are awaiting clarification on capital expenditure, because the ramifications go well beyond just keeping up the buildings in which they work. We do not want to make the same errors that the previous Government made and fail to attach sufficient significance to the availability of capital funding.

In addition to capital spend, there is the issue of the funding that reaches STEM via the Technology Strategy Board and R and D tax credits. So far, the Government have not announced plans for those funding routes. While that uncertainty remains, companies cannot include such support for innovation on their balance sheets as an incentive for investment. However, the Government have announced that they will spend more than £200 million over the next four years to establish a network of technology innovation centres that will be overseen by the Technology Strategy Board. I understand that those centres will be based on the recommendations of the Hauser and Dyson reports, which in turn were loosely modelled on the German Fraunhofer centre networks. Given the prohibitive cost of such undertakings, it is unlikely that Government funding alone will be able to achieve that. The Government have said that they wish to encourage private investment, but so far they have not released a target for such investment or explained how they intend to attain it. Will the Minister go into further detail on that point?

My father would not forgive me if I did not take a moment to mention the importance of world-class medical research. Charitable organisations contribute greatly to scientific inquiry in the UK. The recently announced £50 million project on tumour profiling, which is funded jointly by the Medical Research Council and Cancer Research UK, is a great demonstration of the continuing commitment of DBIS to supporting charity-based medical research. I know that the Minister will be aware of the charity research support fund, which is a programme through which the Government support the infrastructure costs of charitably-funded pure research. However, for those in Oxford West and Abingdon and elsewhere whose hopes are pinned on the research coming out of these projects, I hope that the Minister will clarify the Government's plans for the future of that fund.

The Government have also announced the introduction of a £1.4 billion regional growth fund over three years. Local enterprise partnerships will be able to make bids to that fund, and they will have a role in supporting regional R and D. As the Oxfordshire city region has deservedly won its bid to be an LEP, and because Oxfordshire is well placed to lead as we seek to achieve sustainable growth in the STEM sector, will the Minister give an insight into the Department's strategy for the role that regional growth funds and LEPs will play in creating an internationally competitive environment for UK R and D and innovation?

Clarification of these funding questions will be valuable to the STEM community. If the Minister is unable to answer my entire shopping list of questions today, I know that he and his Department will be working hard to clear them up as soon as possible. However, the fact is that without a clear, long-term strategy that sets challenges and the direction for UK science, we will not achieve the stability and certainty that is needed to attract inward investment and retain the brightest and best graduates in UK institutions.

On the other side of the question about exactly how much research funding will be available is the question of exactly how the money will be allocated. Some scientists have expressed concern that if they are to receive research council funding, they will have to demonstrate the short-term economic benefits of their work. I am perfectly sure that that is not the intention of any part of the Government or the research councils, and I know that the Minister for Universities and Science has expressed his support for a dual funding system based on scientific independence and excellence. However, there has been some uncertainty over the past few years about the interpretation of the Haldane principle, and I know that the Minister for Universities and Science has recently announced that he will, in consultation with the scientific community, develop a clearer statement on the principle. It would be helpful if the Under-Secretary of State for Business, Innovation and Skills, my hon. Friend the Member for Wantage (Mr Vaizey), today reiterated the Government's position on the role of pure research in our STEM strategy. Neither lasers nor MRI scanners would be saving lives today were it not for the blue-sky research that began their development into applied technologies. When determining exactly which streams of research receive funding, we need a strategy to ensure that we do not exclude the research that will lead to the vital discoveries of tomorrow.

Such a strategy cannot be achieved by DBIS alone. The key growth sectors of low-carbon technology, biotechnology, advanced manufacturing and electronics will rely on a good supply of scientists, engineers and technologies, and that goes far wider than the Department.

Mr David Lammy (Tottenham) (Lab): Does the hon. Lady agree with me that, in relation to those future innovations, subjects beyond those that are traditionally described as STEM are of critical importance, and that we need design and creativity, including the overall arts and humanities? Is she therefore concerned about the decision to withdraw state funding for teaching anything other than science? We need interdisciplinary and multidisciplinary practice in our universities if we are to pioneer the innovations of the future.

Nicola Blackwood: I thank the right hon. Gentleman for his comments. As a musicologist, it is hard for me to disagree, so I will be interested to hear the Minister's response to those points.

To continue with my range across the Departments, the Home Office must take a wider strategy into account when setting the permanent cap for tiers 1 and 2. We

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all know that STEM research is a highly international and mobile field and that we need sufficient flexibility in our immigration system to enable the UK to recruit the brightest and best into key areas that the domestic work force cannot fill. That point has already been made by a number of groups, including the Home Affairs Committee, of which I am a member, and I know that it is something of which the Minister for Immigration is well aware.

The role of the Department for Education is also integral to creating an environment in which our young men and women are excited about pursuing careers in science. I heard from dozens of constituents earlier in the year about the need for more specialist physics teachers, as a quarter of all schools for 11 to 16-year-olds in England have no specialist physics teacher. A sixth of those schools—more than 500 institutions—fail to send a single pupil on to study physics A-level. It is important that our schools ensure that the invaluable subjects of science and maths are taken up and that students are given the support necessary to allow them to excel.

The Department for Education must ensure not only that schools are able to achieve that—for example by offering triple science—but that the right careers and financial advice is available to both girls and boys. That advice must give them the best possible options, whether that is to pursue science degrees through an entirely academic route, or to take up an apprenticeship, or through a combination of the two. The Government's commitment to offer 75,000 more apprenticeships is welcome, but it will improve student choices only if the right information gets to the right students at the right time and with the right funding support. The previous Government's record on that count must stand as a warning that things can go wrong if the information does not reach the students at the right time.

Even after education, we must consider how we support researchers and scientists as they go into the work force, and that is especially important for female scientists. Although, according to Research Councils UK, the number of women studying STEM subjects at undergraduate level has increased at a greater rate than that for their male counterparts over the past six years, the drop-off rate between qualification and employment in science, engineering and technology is still higher for women graduates. Of the 600,000 SET-qualified women in the UK, 97,000 are inactive and 70% are employed elsewhere in the economy. Women still make up just 9.1% of the total SET work force in the private sector.

Most barriers affect women and men, but they are often more decisive for women. After a break to take up caring responsibilities, for example, women commonly lose their place on the career ladder and are unable to regain it. Women do not reach senior levels in the same proportions as men with the same qualifications. A number of businesses, labs and institutions, including many in my constituency, are making positive improvements in their workplace and trying to create viable career paths through increasing flexible working, through fair, transparent and anonymous recruitment processes, by offering parental leave, or quality part-time or job-share roles, and with inclusive workplace cultures.

However, DBIS and the Government Equalities Office can play a role by finding ways to support better practices by employers and to provide better indicators to measure progress. Of course, UK Trade and Investment must also play its role in working effectively with UK STEM-based business to attract inward investment and advise innovative start-ups in how to leverage that crucial early years financing. The best research in the world will be lost to the UK if start-ups and entrepreneurs do not get the right advice to support such development at the outset.

I could continue my speech for some time, but I am aware that many Members would like to speak and I think that I have made my point. The role of science in our society is not just a matter for DBIS. Science touches on so many parts of our society that it needs to be on the agenda for all parts of the Government. Now that the Treasury, by protecting the science budget, has sent the message that science research is a priority, we need to fill in the details and move to a cross-departmental strategy that can create the long-term certainty that is needed for sustainable growth and investment in STEM research and development. UK science is already world class—the growth rate of the space sector is evidence enough of that. With a Parliament and a Government who are behind it, there are no limits to what it can achieve.

2.49 pm

Andrew Miller (Ellesmere Port and Neston) (Lab): I congratulate the hon. Member for Oxford West and Abingdon (Nicola Blackwood) on securing this debate and on making a splendid speech. There are two sentences I would delete from it, and I would be happy to claim the rest as my own. She was perhaps misled while eating those Rice Krispies. It is a great pity, because there is a huge link between music and mathematics, and it is always great to see more young women, in particular, coming into science and engineering. It is a pity that perhaps she missed her vocation. We might attack her on other things as time goes on, but I congratulate her now.

On the hon. Lady's general points, she was absolutely right about the importance of the Royal Society pairing scheme. It is a huge asset to the House because so few Members have had any experience of working in the science, technology, engineering and mathematics sector. I would encourage as many Members as possible to think about signing up for it next year, particularly colleagues who do not have a STEM background. The scheme is hugely beneficial to us, and to the science community, who can see how we solve the problems that face us.

Not the least of those problems is the challenge of the comprehensive spending review. I agree with the hon. Lady: the Minister for Universities and Science did a splendid job in arguing the case for the core science budget. She was right to say, nevertheless, that there will be a 10% reduction over the four-year spending round. More important is a point on which I would press the Minister; in fact, I have pressed his colleagues on it during successive Question Times—*[Interruption.]*

Annette Brooke (in the Chair): As Members can tell, there is a Division in the House. The sitting will be suspended and will resume in about 15 minutes. Ten minutes will be added for any immediate subsequent Division. I was intending to call winding-up speakers at 20 minutes to 4, so if you add the time that we take out,

you will be aware of when the winding-up speeches will occur. Also, people need to be mindful of how many Members wish to speak.

2.51 pm

Sitting suspended for a Division in the House.

3.2 pm

On resuming—

Andrew Miller: Before I was rudely interrupted—not through any fault of yours, Mrs Brooke—I was going on to draw something from the observations that the hon. Member for Oxford West and Abingdon made about this being a cross-governmental issue. I have been trying, in a series of questions—three of which I raised on 1, 2 and 3 November with different Ministers—to find out what happened with the cross-departmental analysis of the impact of the whole comprehensive spending review. The CSR's impacts on science will not only be seen in the block grants to the research councils; very serious impacts will be caused by any cuts that might occur in departmental science spending, the details of which have yet to be announced. The Browne report—I say that loudly, given the noise of the students drumming away outside—also has an impact, as does, perhaps in a slightly more sensitive way, the migration cap, which is a cause for concern. All those items together need a cross-departmental analysis, so that we can be certain that none of them causes long-term damage to the science base. I hope the Minister will be able to throw some light on that, because I am trying very hard to get to the bottom of what analysis has occurred, and to find out what contingency plans there are for any unforeseen effects of the impact of any of those items on another one. That is hugely important.

I also want to comment on the hon. Lady's remarks about education, which is a significant area for us. I appreciate that this goes well beyond the Minister's brief, but we need to look deeply at how we incentivise young people to switch on to science. The hon. Lady went into music despite the efforts of her father. We have to go right down to the core of how primary education is taught, how we train our primary teachers and keep them up to date, and how we partner them with industry and academia to inspire them to pass on the exciting things that are happening in the world today to the children around them. One of my favourite examples, which happens to be led by a constituent of mine, Professor Mike Bode, is the National Schools' Observatory. It is hugely disappointing how few primary schools use that tool. It is there, it is free and it is hugely exciting, so we have to ask ourselves, "What is it that is frightening teachers?" It is not the curriculum, because the tool can be used in the context of the curriculum without any difficulty, but there must be problems and we need to work with our colleagues in the Department for Education to find out what the underlying problem is, and solve it.

The hon. Lady touched on technology innovation centres, which are, in principle, a very important development. She was right that the development stemmed from Hermann Hauser's report to the previous Government and James Dyson's to the current one. Both those reports picked up on the same theme. As shorthand, a number of people have said that this is like lifting them out of the Fraunhofers and planting them in the UK, but it cannot be that, because it would miss the point about what is here already. We do need to learn, however, from what happens elsewhere in the world: for example, how it is that venture capital works better on the west coast of the States, and how it is that state involvement in the Fraunhofers seems to help more longer-term finance to emerge in the German market. Those are hugely important issues. We need to learn from them, and we need to apply the British solution using tools like that in our economy. The technology innovation centres provide a way forward, but we should not go for a one-size-fits-all solution. Alternative models might evolve, based on the structures that are already in place, in the public, private and not-for-profit sectors.

I shall make one more remark on the CSR, which I know will get support from my colleagues from outside the golden triangle—apologies to my colleagues within it. I welcome the four big capital projects in the CSR, as they are very important to UK science, but I hope that Her Majesty's Government will not forget that science occurs right across the nation, outside the golden triangle. We must not forget the centres of excellence in universities in the regions of this nation outside that area, for example the Daresbury laboratory.

My final point stems from the privilege—it is a privilege—I have as Chair of the Science and Technology Committee. Doors have been opened to me that I did not know existed. Just yesterday I found myself sharing a platform with Professor Brian Cox, which was a fantastic honour. We were addressing a group of engineers in an innovation competition run by National Instruments, and he made the point that the hon. Lady has just made: that we ignore blue-skies thinking at our peril. On the panel with me were a very successful entrepreneur, someone from National Instruments and Professor Cox, and all four of us saw the link between the small entrepreneur and blue-skies thinking. For goodness sake, I hope that at no stage during this Parliament will anyone inside the Department for Business, Innovation and Skills or elsewhere start to make suggestions against blue-skies thinking, against the need to support some of the big science projects such as Rutherford Appleton, Daresbury, the space programme and CERN.

Those hugely important projects have direct benefits for some of our smaller companies, so let us make sure that we join up the needs of our business and academic communities. Let us find ways further to inspire young people to take up exciting careers in science and engineering and to make sure that this Parliament goes down in history as the one that really sought—on a cross-party basis, I hope—to make a difference in this hugely important field.

There is no doubt that the success of our economy in years to come will depend on our continual investment in science and engineering and in all the education programmes I have touched on. It is vital that Parliament take the lead in ensuring that there is no diminution in investment; in fact, investment should move in a positive direction, and we should drive it up in the sectors we are talking about.

Several hon. Members *rose—*

Annette Brooke (in the Chair): Order. The winding-up speeches will now commence at 3.51 pm unless we have another Division.

3.11 pm

Dr Julian Huppert (Cambridge) (LD): It is a great pleasure to serve under you, Mrs Brooke. Before I start, I should declare an interest as a member of the Institute of Physics and the Royal Society of Chemistry, as well as a Research Councils UK academic fellow, although I am on long-term leave. *[Laughter.]* This feels like the Floor of the House during Prime Minister's questions earlier. I was, therefore, an academic scientist before I fell in with a bad crowd and ended up here.

It is a great privilege to follow the hon. Member for Ellesmere Port and Neston (Andrew Miller), who is the Chair of the Science and Technology Committee, and the hon. Member for Oxford West and Abingdon (Nicola Blackwood), whom I congratulate on securing a debate on this important topic. As she commented, her predecessor, Dr Evan Harris, was a great champion of science in Parliament, and, in that respect, there is a lot of work to do to replace him.

It is great that the hon. Lady gave such a well-researched speech, which dealt with so many of the issues that are dear to the hearts of many scientists around the country. I would, however, take issue with her description of Oxford West and Abingdon as having the highest density of STEM researchers and science-based companies. We will have to measure that properly, because I suspect that Cambridge could do rather well, given that it is the best university in the world, according to one recent rating.

I have experience in a number of areas of science, which says a lot about how we can do interdisciplinary science. I am a chemist, and I used to work on biology in a physics department. It is becoming much easier to break through. If I have any issue with triple science, it is with the idea that there are three separate sciences. We need much more integration.

I should also tell hon. Members that I set up a spin-out company. If they are interested, I will tell them later exactly what it was trying to do.

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): Now.

Dr Huppert: We were aiming to make it easier to collect virgin female fruit flies, and I will explain later exactly why we wanted to do that.

Scientific research is extremely important. This country has a proud history of scientific research. We have Newton, who was, of course, also a Member of Parliament, Watson and Crick, a whole series of people based in Cambridge and the fantastic glut of Nobel prizes that we won this year, although, in some cases, the work involved was not based in Cambridge.

As well as our history, however, there is also the issue of our future. What is our economic future? What will this country be doing in 2050? If we actually mean it when we say that we want to rebalance our economy, science and high technology will surely be how we do that and where we go. I have been working on this issue with various people, and I draw hon. Members' attention to an article that I have written with another new Member of Parliament, the hon. Member for Mid Norfolk (George Freeman), about the appliance of science. We discuss some of the issues and some of the blocks, and the article is available in selected newspapers, possibly near you, depending on where in the country you are. We look at how we can advance in biotech, cleantech, agritech and digital technologies, in which we really have the capacity to be world leading and to change what happens over the next 40 years.

I do not, however, want to talk about all those issues. Instead, I want to pick up three key issues that feed into our scientific research, and I apologise in advance if I give them a slightly more academic than industrial slant. Those three issues are people, money and freedom.

We cannot do scientific research without good people or the right people. As we have heard, we have problems right at the beginning, at school. We have problems in teaching STEM subjects, and the shortage of physics teachers has been mentioned. Work is being done to alleviate that; in fact, there are possibly too many different initiatives. I am delighted to be shadowed today by James Glover, from Mott MacDonald, who is an ambassador for the Science, Technology, Engineering and Mathematics Network. It is sheer coincidence that he is here today, but STEMNET does a lot of work linking industry with schools to make sure that they are aware of what can be done, so that practicals become exciting, relevant and interesting, unlike some of the staid practicals that many of us had to experience.

We have problems at school with people falling out of STEM subjects. We possibly make people make decisions about A-levels too early, and we lose them that way. We then have problems at universities with the perceived ease of STEM subjects and their relative attractiveness. Increasingly, many courses are for four years, which automatically makes them less attractive than three-year courses, and Browne, if I can mention it—it has suddenly gone quiet outside—will make the problem worse. If fees go up to between £6,000 and £9,000, people will think about what they should do. Will they do that fourth year, which is so necessary to have a full grounding in a subject? I worry about that. For the record, I do not support increasing the fees, and I have campaigned against it for many years, since Labour first brought fees in.

Mr Lammy: Will the hon. Gentleman give way?

Dr Huppert: I was wondering whether I could tempt the right hon. Gentleman.

Mr Lammy: I want to add something on that specific point, although I think that the hon. Gentleman will welcome what I have to say. The House will continue to have a big debate about the level of fees, and we are aware of what is going on outside. However, we have not discussed what student debt at the end of the undergraduate experience will do to domestic students who want to go on to postgraduate study. Is the hon. Gentleman as concerned as I am that UK students will be put off going into postgraduate study and engaging in the innovation that we really need?

Dr Huppert: I thank the right hon. Gentleman for that comment. Indeed, that was my next point, so it was very helpful. We do have a problem. I used to teach students, and they were concerned about debt. We can discuss to what extent it is a debt and so forth, but they were concerned. The issue of whether to go on to relatively low-paid PhD positions is a real concern.

Furthermore, I welcome the fact that PhDs are changing from being typically three years long—or at least paid for for three years, although they normally overrun—to four years long. Although that gives a more rounded experience by the end, however, it also means that people are delaying serious earning potential for a lot longer, and I worry about how that fits with the increase in debt.

There are issues about the quality of PhD programmes. I was recently told that one university has given out one PhD in the past seven years. Although I have not verified that figure, I would be concerned if we had institutions that gave so few PhDs, because there would be questions about the quality of such qualifications. There is also a problem with availability in some subjects, and some very good students struggle to get positions or funding. We therefore have problems attracting people to do science-based PhDs.

If those who go on through PhDs, having sacrificed many years of earning potential, want to stay in academia, they will look for a post-doctoral position, but we have a big bottleneck in terms of the availability of such positions. Even if someone gets one, such positions tend to involve very short contracts—two or three years are typical. That causes problems getting money for the next position. It takes such a long time to find money for the next job—I will come back to this later—that a lot of postdocs do not have the freedom to focus on their work. The fellowship schemes that exist are fantastic, partly just because they allow postdocs to focus on their work.

That uncertainty—that hopping from one short-term contract to another—has real issues for gender balance. We talked about the gender balance at earlier stages, but there is an issue at the post-doc level as well. Women in general do not like this process, and it is a real disincentive for them.

Once people finally make it through the post-doctoral position, they may be fortunate enough to get one of the few academic positions available. That will finally complete the process, but the steps at every stage make it harder to attract and keep people.

So far I have talked only about domestic students. Of course we do not get all our scientists from Britain. We get a huge number from overseas, and that is essential. Science is a global activity. It does not make sense to say that Britain should supply all the skills it needs for science. We cannot draw up barriers. I have been very concerned about the Government's proposed immigration cap, and many hon. Members will know about concerns that have been expressed. The cap causes problems; it makes it hard to get good quality people from outside. There are many stories of people not coming, and others of people who have made it clear that they would not have come under such a system. Venki Ramakrishnan is one example. We have heard some instances already, and I have heard of students not being given visas to come to Cambridge for a four-day conference, because the UK Border Agency was not satisfied that there was sufficient evidence that they would not require benefits while they were here. Given that they had already paid the fees for a four-day conference I think that it would be safe to assume that they would have come to the conference and then gone again. There is increasing concern from the university of Cambridge that we cannot get PhD viva examiners from outside the EU, because that is classified as work. We do not want to stop that activity. I find it bizarre that the cap includes exemptions for elite sports people and ministers of religion, but not for doctors, scientists or engineers, who contribute much more to our economy.

Another issue is people—just as people. When I talk to representatives of high-tech companies around Cambridge, I find that many of their concerns are not just about the things we have discussed already. The No. 1 concern that people talk about in Cambridge is housing—the cost of affordable housing there, by which I mean affordable for science researchers, and not in the sense that was used in the rather ill-informed debate that we had in the House yesterday. People also talk about transport problems and how to get where they want to go. They talk about the problems of finding good education for their children, and the issues of the environment that they live in. Those issues affect scientists and their choice to continue working in this country rather than moving elsewhere.

Money, of course, is another factor, and scientists, like all people, are motivated by money. We had a freeze on the total science budget, as has already been discussed—the £4.6 billion. That is good news. It is not as good as it could be. Other countries, such as Germany, invest more in their science funding. However, it is helpful, and I thank the Deputy Prime Minister in particular for getting the last £200 million that came into the science budget on the Sunday night just before the comprehensive spending review. I share hon. Members' concerns about lack of knowledge about the capital budget. A comment was also made about long-term security, and I have in the past asked the Minister for Universities and Science whether we can have at least a 10-year funding horizon, because science projects often take that long.

There are also problems with the cycle of allocation of money by research councils. I am well aware of the Haldane principle and would not dream of telling research councils how they should operate. They did not give me the grants I deserved and I am sure that they will continue not to give people the grants that they deserve in future, but the real problem is the slow pace. An application goes in, and it takes six to nine months, typically, to get a response. If people are on contracts of one to two years, that is a huge amount of time for them not to know the result. Success rates are phenomenally low. Academics apply for grant after grant, driving up the number of applications that must be studied, and filling up the system. There must be a way to run the system faster and more efficiently.

We need financial support from industry, and good relations with it. Cambridge is fortunate because we have an excellent cluster. One of the features of that is to do, again, with people. People can work in industry or academia and can move between them. Scientists are often married to other scientists, so both partners can have jobs in the same area, with the same level of security. We have a number of successful spin-outs. Research and development tax credits were also mentioned. They play a critical role in supporting industry systems. Companies have highlighted that time and again as essential.

I support the moves for greater procurement by small and medium-sized enterprises. A detailed analysis by entrepreneurs in Cambridge shows that if there is a client when someone sets up a company, it works. It is

[Dr Huppert]

much better to have a client. The success of silicon valley has been largely due to Government procurement with small start-up companies, really giving them the initiative to go. However, the issue is not only public. I think that Max Perutz was responsible for the excellent comment:

"We've got no money, so we've got to think."

[HON. MEMBERS: "It was Rutherford."] I am grateful that so many hon. Members can correct me on that: my thanks to them. The sentiment stands, none the less. It is the freedom to think that makes a difference. We cannot predict which research will be world-shattering. We cannot say that lasers or the internet will be the thing that matters. DNA was first discovered in pus, and was a curiosity. It was believed to be the way in which phosphate was stored by the body. It was completely uninteresting; and now it leads to all the advances in genetics, health and biotechnology. We cannot predict such things, so we must allow academics the freedom to explore. There is a false split between pure and applied research, which I am very concerned about. Pure research often leaps into applications and I am very concerned about the increasing drive to impact. It does not make sense to ask people to estimate the economic impact of a piece of research.

Graham Stringer (Blackley and Broughton) (Lab): The hon. Gentleman is making an interesting speech. Does he agree with Professor Cox who said when he came to the previous Select Committee on Science and Technology that he found it impossible to know what to put when assessing impact? It is not do-able.

Annette Brooke (in the Chair): Order. If I may intervene; there are 25 minutes left, and at least three speakers before the winding-up speeches.

Dr Huppert: I am about to finish, Mrs Brooke. I think that Professor Cox is to some extent right, and to some extent wrong, because universities have begun to provide the text to put in those boxes. I think that a form-filling exercise is developing.

I join in the support for the technology and innovation centres, whether they are Fraunhofer or Hauser models. That will make a big difference in enabling us to do true translation that works.

We know what we need. We must make sure that we provide it, whether it is money, freedom or support for the people involved. I take the point that we should look more broadly than just to the sciences. Humanities, classics and other subjects have a lot to provide. I have one last request to the Minister. I have asked before whether the Treasury could have a chief scientific adviser so that its staff could understand science. They say they cannot see why they need one: that is exactly why they do.

3.27 pm

Mr Andrew Smith (Oxford East) (Lab): I congratulate my neighbour, the hon. Member for Oxford West and Abingdon (Nicola Blackwood), on securing the debate, and on her speech. Her timing is exquisite, whether by accident or design, as she has picked the day when more than 50,000 students are protesting outside at the damage to be inflicted on higher education by the 80% cuts in teaching grant and huge increases in student fees. I particularly welcome and support the students from the university of Oxford and Oxford Brookes university, both of which have most of their students, and key science facilities, in my constituency. Those include the Oxford science area and the Oxford science park, although of course the Begbroke science park is in the constituency of the hon. Member for Oxford West and Abingdon, the Diamond synchrotron is in the Minister's constituency of Wantage, and the Culham science centre is in the constituency of the hon. Member for Henley (John Howell). There is a huge Oxfordshire-wide and cross-party interest in the health of scientific research. The work of scientists in our area is of global as well as national importance, and makes a huge contribution to the economy, which is crucial to the competitiveness and future prosperity of our country.

It is to the credit of the Labour Government that they were responsible for record investment in science. *[Interruption.]* I am pleased to hear the Minister applauding that. The Government's investment was amplified by the invaluable contribution of the Wellcome Trust, the medical research charities and others. However, as the hon. Member for Oxford West and Abingdon pointed out, when we consider publicly funded science as a share of GDP it is not as though no more needs to be done. I echo the call made by my hon. Friend the Member for Ellesmere Port and Neston (Andrew Miller) for us to pull together to do more.

Given the context of massive and ill-judged public expenditure cuts, it is also right to recognise that the Government have afforded science and research a measure of protection in the recent spending review. I know that that the higher education Minister fought for that, and I thank him. I am sure that the Minister who is present today fought for it too, and if so I thank him too. I am not going to let them off the hook, however, given the real cuts, the big outstanding uncertainties still affecting science funding and the challenging context in which scientists will be working in the years ahead.

I should like the Minister to answer a number of questions. First, as we have heard, the cash freeze over the next four years represents a 10% real cut. Although welcome protection for medical research is provided, there are worries that that could involve bigger real cuts in other areas of science, such as physics and engineering. What is the position on that?

Secondly, the Science and Technology Facilities Council has already, as we have heard, had a tough three years and is not facing further cuts from a position of enormous strength. It is not clear whether the commitments to improve STFC's situation, made by Lord Drayson last January—to cover exchange rate fluctuations in the costs of international subscriptions—will be honoured by the coalition Government. It would help if the Minister confirmed that that undertaking still stands.

Thirdly, the severe cuts to the Minister's capital budget could, as we have heard, have a serious impact if they feed through directly to research council funding. Capital is not just about new projects, which can of course be delayed, albeit at some cost to our international research competitiveness. A significant proportion of the running costs of facilities, for example, the routine replacement and upgrade of equipment, are classified as capital.

Almost a quarter of the running costs of the ISIS centre at Rutherford Appleton, which does cutting edge atomic work advancing a range of physical, biological and material sciences, are classed as capital costs. Cuts would reduce the amount of time that that vital facility could operate each year. Can the Minister assure us that such factors will be given sympathetic attention when his Department makes its capital allocation?

Fourthly, what is the position on the overall budget of the Technology Strategy Board over the spending period and how much redirection of current funds will be required to support the operation of the new technology innovation centres that were recommended by the Hauser report? Obviously, if that amounted to a big sum—tens of millions of pounds a year, or whatever, from a static TSB budget—it would represent a significant cut in other important areas of its work, such as collaboration with business on knowledge transfer. Can the Minister clarify that position?

As the hon. Member for Cambridge (Dr Huppert) said, success for science research depends on more than the science budget, critical though that is. I should like to mention a couple of other areas. Keeping up the high quality of our science depends in no small part on the quality of science teaching in our schools, as the hon. Member for Oxford West and Abingdon said. In a written parliamentary answer on 26 July, to my question on incentives for physics graduates to enter teaching, the Minister of State said:

"We are considering a scheme to repay the student loans of science and mathematics teachers."—[*Official Report*, 26 July 2010; Vol. 514, c. 817W.]

Where has that consideration got to? It is clearly all the more relevant, given the huge increases in fees that the Government are now imposing.

My hon. Friend the Member for Ellesmere Port and Neston and the hon. Member for Cambridge mentioned the immigration cap. I would like to press the Minister on what representations he is making across Government on the real threat to our scientific excellence and standing posed by the coalition Government's proposed annual limit on economic migration and changes to the visa regime. Nearly a third of Oxford university's academic teaching and research staff, and 46% of its research-only staff, are from overseas. Although some of those people are of European economic area origin, a lot of academic staff hold tier 1 highly skilled migrant programme visas, and more than 700 are work permit/tier 2 visa holders and sponsored researcher/tier 5 visa holders. As the vice-chancellor of Oxford university said in his evidence to the Migration Advisory Committee:

"Most of our current Tier 1 visa holders are in highly specialised research areas, and many are working in strategically important subject areas such as engineering and technology, environmental science and the biosciences…It would be disastrous for international relations and research programmes if we at Oxford were not able to continue to welcome overseas researchers at current levels under all tiers. This would seriously affect recruitment and retention particularly in all the physical, bio and clinical sciences, and in technology, engineering and mathematics".

I hope that the Minister is concerned about this as well. Can he assure me that, in view of the contribution that their teaching and research make to knowledge, the economy and society in general, top internationally mobile academics and researchers will be exempt from the immigration limit or, at the very least, that the visa and work permit regulations will be operated in such a way that Oxford and other universities and research institutes will be able to recruit all the people they need to sustain their international standing?

Science and successful business spin-offs do not just need funding, research facilities and the best researchers; their staff—managerial and technical as well as scientists—need somewhere to live, a good environment, transport infrastructure and room for businesses to grow. However, these things are all too likely to be a casualty of the coalition Government's decision to abandon all the evidence and careful consideration that went into the south-east and other regional plans and leave planning up to district councils. An example of the disastrous effect that this is having is that a significant housing development to the immediate south of Oxford, in the planning jurisdiction of South Oxfordshire district council, is now most unlikely to go ahead, given that nimbyism seems to be that council's principal planning policy. *[Interruption.]* The Minister may laugh, but if I recall correctly, he once famously told the Conservative party conference that he was greatly in favour of additional housing in Oxfordshire, as long as it all went into my constituency, although it is not quite big enough to take it all. I welcome the expansion of my constituency to make room for the growth south of Grenoble road.

Part of the development that I have mentioned was an expansion of the Oxford science park, providing exactly the sort of facilities that are needed to harness our scientific excellence to business success, jobs and prosperity. Will the Minister consider that, bearing in mind his comments to the Conservative party conference, and chat about it with his colleagues in Department for Communities and Local Government?

Stephen Mosley (City of Chester) (Con): The right hon. Gentleman has asked the Minister a number of questions—I agree pretty much with all of them—and I should like him to ask one on my behalf. For every leading research scientist there are dozens, if not hundreds and thousands, of lower-level lab technicians, who are just as important a part of our national science research base as those guys at the top. Perhaps the right hon. Gentleman will ask the Minister what he is doing to ensure that we get 17 and 18-year-olds into science research, through apprenticeships, further education and workplace training, because these guys are just as important as the people at the top.

Mr Smith: The hon. Gentleman makes a good point, which I shall add to my list of questions. We will all be looking carefully at the announcement of the Government's skills strategy next week to see what specific component it contains to address those important issues.

We can have higher, sustainable economic growth if we really want it. But if we are to achieve it we need more housing and better transport in places such as Oxfordshire, across the south-east and in other regions where science is so important, so that business can do still more to make the most of the scientific excellence that we are investing in.

Those are a few questions for the Minister to consider. If he does not have time to answer them all this afternoon, I should be grateful if he wrote to me. It is important, as other hon. and right hon. Members said, that we keep up the pressure in the cause of science, which it is no

[Mr Andrew Smith]

exaggeration to say is vital to the quality of life, living standards and our whole civilisation, now and for generations to come.

Annette Brooke (in the Chair): There are 12 minutes remaining. I wish to call two speakers—Gavin Barwell and David Mowat—and I call Gavin Barwell first.

3.39 pm

Gavin Barwell (Croydon Central) (Con): Thank you for those clear instructions, Mrs Brooke. I will watch the clock carefully. I congratulate my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood) on her excellent opening speech, and all hon. and right hon. Members who have spoken in this high-quality debate.

I start by declaring a personal interest: I am a science graduate. I studied theoretical physics at Cambridge, although I am ashamed to say that I have not used a great deal of that study since I graduated. However, I now have the opportunity to do so because I was recently elected to the Science and Technology Committee. I am also taking part in the Royal Society pairing scheme, and I echo the comments made by several hon. Members about its importance. I am paired with Dr Emily Nurse from the high energy physics group at University college London. I represent a London constituency, and while we have heard a great deal about Oxford and Cambridge universities throughout the debate, London has Imperial college, UCL, and other leading institutions.

I have been asked to stick to time but, luckily, those hon. Members who have spoken have covered many of the points that I wished to make, so I can be relatively brief. There is political consensus about the need to diversify our economy, and one of the lessons we must learn from what has happened over the past few years is the need for a broader economy. One of the strengths of UK plc is our scientific base.

My hon. Friend the Member for Oxford West and Abingdon cited figures from "The Scientific Century", which is an excellent report by the Royal Society. Let me set out the full figures for the world: we have 1% of the population; 7.9% of scientific papers; 11.8% of world citations; and just under 15% of the most highly-cited papers. This is an area of excellence, and we also have the second strongest higher education sector in the world, after the USA, so we must build on that strength.

Like other hon. Members, I am grateful for the work carried out by my right hon. Friend the Minister for Universities and Science and the relative protection of the science budget. I echo the points raised about the Science and Technology Facilities Council, and the issue of capital funding, which accounts for just more than a third of its budget.

Neil Carmichael (Stroud) (Con): It is good to see science supported and to ensure that science works with business. Many business men have asked me how we can protect our patents and our value in an international sphere, so the Department for Business, Innovation and Skills needs to think about that.

Gavin Barwell: My hon. Friend makes an important point to which I am sure that the Minister will respond. My point is that the Science and Technology Facilities Council has a high dependency on capital funding. If we do not have clarity on that matter, there is the danger that we will see significant cuts in the general grant spend. Its dependence on capital is higher than that of other councils.

Although it is important that the Government look at the benefits of science—economically and to wider society—there is also a benefit to society from knowledge in its own right and from pure research that is designed to extend the sphere of human knowledge. It is sometimes difficult to quantify that, and I appreciate that the Government have to cost such matters. However, it is important to put on record the significance of knowledge in its own right, which is often the primary motivation of scientists, rather than some putative economic return.

Let me echo the points that have been made about the immigration cap. I am a strong supporter of the cap, and although my constituents feel strongly about immigration, they are not worried about leading scientists coming into the country to drive our economy forward. Their concern is about the numbers of people who have been brought into the country and take jobs that should have gone to economically inactive British people who could have gone back to work during the last boom but failed to do so. Their concern is not with people who come in to create businesses, opportunities and jobs for other people, and I hope that the Government will be sufficiently flexible on that issue.

My hon. Friend the Member for Oxford West and Abingdon pointed out that these matters are not only ones for the Department for Business, Innovation and Skills, and I echo that sentiment. A number of members of the Science and Technology Committee have spoken about whether the Government office that deals with science would be better located in the Cabinet Office because of the overarching role that science plays across Government activity.

I shall conclude with a point about education which, again, several hon. Members have touched on. I have read a piece by Simon Schama about the teaching of history in our schools. It contrasted children's great fascination with detailed works such as "The Lord of the Rings" with our failure to make the story of our history sufficiently interesting to children. The same is true of science education. I have an eight-year-old son. Any conversation with him quickly becomes a succession of "Why?" questions. He has complete fascination with the world around him and why it is as it is. As children get older, however, we somehow fail to maintain their enthusiasm to find out about the natural world. Developing that passion for science in the critical phase of secondary education is a key area that the Government must look at.

I am conscious of the time and I know that my hon. Friend the Member for Warrington South (David Mowat) wishes to speak. I end by congratulating my hon. Friend the Member for Oxford West and Abingdon on securing the debate and thanking other hon. Members who have taken part.

3.44 pm

David Mowat (Warrington South) (Con): I thank my hon. Friend the Member for Croydon Central (Gavin Barwell) for giving me the chance to speak. I am one of three hon. Members in the Chamber from Imperial

college—I think that there are only three of us—so we should get our retaliation in first—*[Interruption.]* My hon. Friend the Member for Windsor (Adam Afriyie) is one of them.

I wish to talk about the application of science. We have heard a lot about pure research and so on, but when we think about the economy over the next 20 or 30 years, and the fact that we can no longer rely on the City and North sea oil to the extent that we have over the past two decades, we must ask where the innovation will come from. With respect to the right hon. Member for Tottenham (Mr Lammy) and the large contribution made by arts graduates, that innovation will, to a great extent, come from science.

My constituency, like many in the north-west, will lose around 2,000 public sector jobs over the lifetime of this Parliament. The Office for Budget Responsibility has forecast that it will gain 5,000 private sector jobs. All north-west Members, and those more widely, must think about where those jobs will come from and what we can do to help their creation.

Hon. Members have mentioned silicon valley, and it is interesting to note that companies such as Microsoft, Google, Yahoo!, Dell, Apple and eBay, and their supply chains, have probably generated in excess of 1 million jobs over the past two decades. For the most part, those companies did not exist 30 years ago. In 20 or 30 years' time, there will be another list that people will talk about. I do not know what companies will be on it—if I did, I would probably not be in the Chamber—but they will come from innovation and science. We must do what we can towards achieving that.

On the border of my constituency is a place called Daresbury. We have heard something of the golden triangle, which makes me feel a bit outnumbered, but Daresbury is a fantastic place that, together with Harwell, is one of two SFTC locations in the UK. Daresbury is a little different from Harwell because it focuses strongly on innovation as well as on pure science. There is also pure science, however, and Daresbury has a fourth-generation accelerator—a lot of the design work on the Diamond synchrotron was carried out there. However, the distinctive thing about Daresbury—if the Minister has not seen it, he should come and visit—is that there are about 100 small companies that are growing, taking output from the universities and turning that into commercial exploitation. On average, those organisations have grown by 20% over each of the past two years. That has happened through the recession, so it is quite a thing. A 36,000 square feet extension is being built and is already nearly full. There is a significant chance that 10,000 jobs will be created by those 100 companies and the public-private partnership that is being put into place.

Andrew Miller: Does the hon. Gentleman agree that those 100 or so tiny companies are in Daresbury as a result of the magnet provided by the research facility? They would not have come there on their own; this is part of the integration between very small and very large companies that I was speaking about.

David Mowat: I agree with the hon. Gentleman. The key term is multidisciplinary. Those companies interact with each other, and the pure science laboratory, which was there in the first place, has been the driver.

I want to contrast the multidisciplinary model of the Daresbury campus with some of the ideas that have come out of the Hauser review. That is more about excellence, with the Government picking areas in which they want to invest and going for it. I am not against that, but there are two models to determine how we invest in science and applied science. One is what could be called, "Let's pick a winner and go for it," and the other is, "Let 1,000 flowers bloom. Let's try lots of things. Some of them will be brilliant and some of them won't."

My hon. Friend the Member for Cambridge (Dr Huppert) pointed out that silicon valley was created by Government procurement, but I do not think that that is true. I think that it was created by innovation, entrepreneurship, encouragement and the linkage of money to brilliant technologists.

I do not wish to overrun my time, but I have two minutes left and a couple of concerns to raise, to which I shall be interested to hear my hon. Friend the Minister's response. I welcome the local enterprise partnerships as a way forward. There is a risk, however, that they will be quite fragmented in a way that the regional development agencies were not and other things are not. I recently had a ridiculous conversation with a colleague who said to me, "Which LEP is Daresbury going to be in?" That is not the right way for us to think about how we do all this, and if we let that mindset grow, it will be quite dangerous.

I mentioned the Hauser review and technology and innovation centres. It is not clear to me how they will interact with what we call regional growth hubs—or at least there is a lot of language in this area that seems to be quite loose—so I would welcome input on that.

With regard to the success of Daresbury, I have a bit of concern about the way in which the Science and Technology Facilities Council funding goes between Daresbury and Harwell. I am not an expert in how that works, but I think that nearly all the members of the board of the STFC are Harwell-based, not Daresbury-based. We must be careful that we do not have a south-centric civil service and a south-centric triangle driving science in a way that we do not want.

You will be pleased to hear that I shall stop speaking shortly, Mrs Brooke. I just want to reiterate that this has been a good and positive debate, principally because it has not been party political. We have much more in common with one another—especially those of us who went to Imperial college—than party politics allows, and it is extremely important to us all and to our children that we get this right.

3.51 pm

Chi Onwurah (Newcastle upon Tyne Central) (Lab): I congratulate the hon. Member for Oxford West and Abingdon (Nicola Blackwood) on securing a debate on such an important subject and on the excellence of her speech. As one of those STEM-qualified women who are no longer working directly in STEM, I was very impressed by the breadth and depth of her analysis, even if I do not agree with every one of her conclusions. Her constituency certainly has an excellent advocate.

Oxford West and Abingdon is home to excellent science research, as are many of our great university towns: London, Manchester, Cambridge, Liverpool,

[Chi Onwurah]

Bristol, Southampton, Edinburgh and, of course, my own constituency of Newcastle, to name but a few. However, it is clear from the speeches and interventions made today that hon. Members on both sides of the Chamber have concerns that go wider than the science research carried out in their constituencies.

I am sure that even if his colleagues in BIS had not been in China or otherwise engaged, the Culture Minister would still have been eager to come to this debate and set out the Government's policies on science research. That is recognition of the hugely important role that science plays in our society. From the sharpened stone to the mobile phone, scientific developments have changed society and brought new opportunities. Indeed, I am sure that if decent research grants had been available in prehistory, it would not have taken 2 million years to go from sharpened stones to the stone axe. Equally, the Egyptian pyramids would not have required quite so much slave labour—the wheel could have taken a bit more of the strain.

To take an example closer to our own day and age, the mobile phone—we all have one—is a result of decades of public sector defence research into wireless transmissions; billions of private sector investment in R and D, infrastructure and commercialisation; academic research into cutting-edge modulation techniques; and Government-led access to spectrum and global protocol standardisation. The result is a technology that enables a farmer in Kenya to know the market price of corn on the Chicago stock exchange, and ensures that information about voting irregularities in Burma or Iran can be tweeted across the world before the voting is over.

Science changes society, and generates wealth. The Campaign for Science and Engineering has estimated that investment in science research gives a return of 30% a year in perpetuity. Right now, we need that return more than ever, so we are right to treat this debate as hugely important. To be fair, the Chancellor of the Exchequer, in the comprehensive spending review statement, claimed that he was protecting the science budget, as many hon. Members have gratefully commented. In his final flourish, under the sub-heading "growth and promoting a private sector recovery", he said:

"I have decided to protect the science budget. Britain is a world leader in scientific research and that is vital to our future economic success. That is why I am proposing that we do not cut the cash going to the science budget." —[*Official Report*, 20 October 2010; Vol. 516, c. 961.]

Now let us consider what the Chancellor did not say. As has been pointed out, a cash freeze means a 10% cut—assuming current rates of inflation—in real terms, or £460 million, at a time when the rest of the world, including the US, China, France and Germany are increasing their science spend. Also, what the Chancellor calls the "science budget" is only 50% of Government science investment in the UK. The rest, including departmental R and D, capital expenditure, R and D tax credits and RDA spending, has not been frozen or ring-fenced and therefore is vulnerable to cuts. In the case of the RDAs, we know that their science funding of £440 million a year has been lost. If other expenditure is cut at the same rate as departmental expenditure—let us remember that this is science funding that has deliberately not been ring-fenced—we are looking at a cut of 10% in cash terms.

In July, the Royal Society said that

"severe cuts of 10% or more in cash terms...threaten to devastate British science, impair the future growth of the economy and derail the UK's ability to govern effectively and tackle global challenges. Regaining our scientific pre-eminence, with all the economic and social benefits that this brings, would be impossible or cripplingly expensive for future generations."

Although the upgrade of the Diamond Light Source synchrotron in the Minister's constituency has been secured, the rest of the capital budget, as has been pointed out, has not been safeguarded. *Nature* reports that the research councils have been warned to expect at least a 30% cut in their capital funding. Hon. Members have pointed out that as a result of those capital cuts, the Science and Technology Facilities Council, which funds the Rutherford Appleton laboratory in the constituency of the hon. Member for Oxford West and Abingdon—

Mr Vaizey: It's in mine.

Chi Onwurah: I apologise. The STFC, which funds that laboratory in the Minister's constituency, is likely to be hit as the bulk of its budget is capital. High-tech European partnership projects such as JET—the Joint European Torus at the Culham centre for fusion energy in neighbouring Henley—are funded through the capital budget. They will need to find extra money to cover inflation. That might result in UK researchers having to cut usage while still paying high fixed costs, or to cut other areas. As the Royal Society says, that would dramatically reduce the efficiency of our investment.

Overall, there could be far-reaching consequences in the UK economy. Research Councils UK has calculated that a cut of £1 billion in science spending results in a drop of £10 billion in gross domestic product. Therefore, the protection offered by the Chancellor seems rather flimsy, especially in the competitive world of global science. China is stoking its engine of innovation with 2.5% of its GDP and an 8% rise this year. I hope the Secretary of State for Business, Innovation and Skills will be listening to his hosts in China in that regard at least.

The situation is somewhat worse than it first appears. We have agreed that we need to rebalance our economy, but we do not want to do that by reducing the financial sector—absolutely not. We want to do it by growing other sectors, such as advanced manufacturing.

In addition to the cuts to science funding, we have further cuts disabling the vital economic levers that translate scientific understanding into commercial ideas. For example, programmes funded by the RDAs, which supported the commercialisation of scientific discoveries, which we have discussed, have already been cut—such as the Innovation Machine in Newcastle.

It was mentioned that the Prime Minister announced funding for the technology and innovation centres to the tune of £200 million. However, in Germany, where the model they are based on is located, six times more is spent each year on running costs.

Given that our situation and the funding for science are under such threat, I ask the Minister to confirm a number of points. Will Government spending on science that is not in the £4.6 billion be safeguarded? Are the Government intending to increase science spend as a proportion of GDP, in line with European targets? Do

they acknowledge the vital role they must play in helping to commercialise new technologies? Finally, will R and D tax credits be safeguarded?

We need the jobs that come from the timely exploitation of scientific discoveries. The Government's plans for science and research endanger all our futures.

4.1 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (Mr Edward Vaizey): I am grateful for the chance to speak under your chairmanship, Mrs Brooke. The last times I spoke in a debate, I had the full might of the Welsh Labour party ranged against me, so 50,000 students making noises off is slightly easier to deal with.

I congratulate my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood) on securing this important debate. One of the great advantages of having new Members of Parliament is that those of us who have been in Parliament for merely five years get the chance to patronise them, so let me say what a pleasure it was to be at her parliamentary birth, at the Abingdon leisure centre on that momentous night when she became the Member of Parliament for Oxford West and Abingdon.

I put on record what a hugely successful job my hon. Friend is doing—slightly too successful, as my Conservative association in Wantage keeps asking whether we can have her to speak instead of me. Also, almost all the companies in my constituency seem to want her to come and visit them. In fact, she mentioned one that I, too, visited on Friday—she had got there before me—Nexeon, in Milton park in Didcot.

If my hon. Friend the Member for Warrington South (David Mowat) wants to know what the future is, he should resign his seat and go and work for Nexeon. It is making extraordinary lithium ion batteries, which are another example of British scientific expertise. The discovery was about the use of silicon, which stores more energy, and Nexeon's way of putting silicon into batteries promises the future—houses powered by batteries, apparently.

One of the great pleasures of representing my constituency is that I wish I had won the lottery and could invest in almost every company that I go and see there. One is literally "The Man in the White Suit" company—coat a shoe or shirt with its material and water literally drips off without leaving any damp patch at all. However, I digress, and we do not have much time.

We have had a fantastic number of excellent contributions to the debate, such as those from the Chair of the Science and Technology Committee, the hon. Member for Ellesmere Port and Neston (Andrew Miller), and from the hon. Member for Cambridge (Dr Huppert), who reminded us why it is so important to have scientists in the House, because of his chalk-face experience, if I may put it that way, and his ability to talk us through what happens with scientists on the ground.

Another such contribution came from the right hon. Member for Oxford East (Mr Smith) who, as I have said many times before, is only in the House because I was the press officer of the Oxford university Conservative association when he was fighting Steve Norris in 1987. However, what is absolutely true is that he, I, my hon. Friend the Member for Oxford West and Abingdon, my hon. Friend the Member for Henley (John Howell), the Prime Minister and my hon. Friend the Member for Banbury (Tony Baldry) all work well together on Oxfordshire interests, even if we might clash on national policies.

My hon. Friend the Member for Croydon Central (Gavin Barwell) made a valuable contribution to the debate, and I have renewed respect for him now that I know he is a theoretical physicist, while my hon. Friend the Member for Warrington South has a distinguished degree in engineering, although he left it for accountancy. I propose a twinning arrangement with my hon. Friend the Member for Warrington South: I would certainly like to see his facilities in Daresbury, if he will come and see my facilities in Harwell.

The debate covered a huge range of subjects. We even got on to housing shortages, nimbyism and transport networks. However, what it boils down to—stating what I regard as the highlights—is essentially: the myth and reality, as it were, of the science budget; the need to engage young people in science, even those in primary schools; concerns about whether the coalition Government's immigration policy will impact on scientific research in the future; and some specific Government policies, notably on technology and innovation centres.

Adam Afriyie (Windsor) (Con): May I bring the Minister's attention to another point that was raised? In my time as the shadow Minister for Science and Innovation, I was keen to have a chief scientific adviser in the Treasury. Can he shed any light on that matter or on any progress that might be taking place in that regard?

Mr Vaizey: If I can make a career-ending response to that, in my short experience as a Minister I have discovered that the Treasury thinks it knows absolutely everything, so the idea that it needs to be advised on science or, indeed, any other subject would clearly be anathema to it. That, I am sure, is why it is resisting the appointment of a chief scientific adviser—I shall turn to the role of the Government's chief scientific adviser in a minute. I also congratulate my hon. Friend, because he was a distinguished shadow science spokesman for us. I have no doubt that, behind the scenes, he influenced the Government's approach to the science budget.

To give credit where it is due, however, the Minister for Universities and Science, my right hon. Friend the Member for Havant (Mr Willetts), who cannot be here because he is flying the flag for UK plc in India, I think, ought to be hugely credited with securing the important settlement that we have had for science.

I would like to say that I played a role in that settlement. There was a moment when I was in the Secretary of State's office and I noticed a paper on the Diamond synchrotron, so I said to his private secretary, "You really want to sort out the Diamond synchrotron because they have a really effective MP and you don't want to cross him." He looked at me and said, "Who's that?" So, I am not sure how much influence I had, although as a politician I would like to take the credit.

Other issues raised were the allocation between specific research councils—the charity research fund referred to by my hon. Friend the Member for Oxford West and

[Mr Vaizey]

Abingdon—and the capital funding. The debate was not partisan and has been conducted on a good cross-party basis.

One of the things that I note about science, which we should all treasure, is that people from different places work together. *[Interruption.]* That is probably my right hon. Friend the Minister for Universities and Science ringing—

Mr Andrew Smith: Or the Chancellor.

Mr Vaizey: Yes, that is the Treasury on the phone.

Going to such large scientific facilities—I was struck in particular going to the large hadron collider—one sees Iranian scientists working next to Israeli scientists. That for me, if we are talking about bringing science alive, brings alive the global, co-operative nature of science.

I can tell hon. and right hon. Members that I cannot tell them anything about some of the questions they asked, because the negotiations are still ongoing. I can tell them that we hope to conclude them by Christmas.

Mr Andrew Smith: The Minister is doing very well in the limited time, but can he write to us on the specific questions that he does not have time to answer now?

Mr Vaizey: I thought about standing up and simply saying that I would write to the right hon. and hon. Members, given that approximately 35 questions were asked in the course of the debate. However, I will certainly ensure that we give a comprehensive response to all the questions of right hon. and hon. Members who attended the debate.

We talked about research budgets from other Departments. Yesterday the Department of Health signed an agreement for a UK Centre for Medical Research and Innovation, with £220 million for the construction of this new centre, which will bring together the Medical Research Council, University college London and medical charities.

Reference has been made to the £69 million secured by the Diamond synchrotron, as well as other important innovations such as the European Space Agency, which is also in my constituency. I was delighted to see the report this week, pointing out that space success has rocketed in this country; the industry is now worth £7.5 billion, and it employs 25,000 people, which is an increase in a year of 11%. When the right hon. Member for Oxford East said that our scientists have a global reach, I would correct him and simply point out that they now have an intergalactic reach, which we should praise.

The important question of immigration was raised. It is absolutely part of our strength as a scientific nation that we attract the best scientists to live and work here. As I said earlier, scientists working together from different countries that may be politically hostile to each other is very important. It is an extraordinary experience to visit leading scientific institutions and see the range of people from across the world who have been attracted to them. We must secure that sort of international work force working together.

Last week, my right hon. Friend the Minister for Universities and Science met representatives of further and higher education and of the UK Border Agency, and had the opportunity to hear their concerns directly. My Department is working closely with the Home Office to develop a system that, while delivering the Government's objective—as my hon. Friend the Member for Croydon Central pointed out, it is strongly supportive of reducing the overall level of immigration—allows those who can make a positive contribution to the UK, such as researchers and academics, to continue to come here.

The hon. Member for Cambridge spoke about people being denied a visa to attend a legitimate high-profile conference. I understand his frustration. We need to establish a system under which reputable institutions should be trusted to vouch for those who attend conferences.

Exeter to Plymouth Railway

4.11 pm

Anne Marie Morris (Newton Abbot) (Con): During the next 10 to 15 minutes, I shall speak about the south Devon railway line. It is close to my constituents' hearts, and I am clearly looking to the Minister to support continued investment in it.

The line goes from Exeter to Plymouth, and part of it goes through my constituency. It goes through Starcross and down the coast through Dawlish and Teignmouth. From there it divides, and goes on either to Torbay or Plymouth. It is one of the most picturesque stretches of railway in Europe; indeed, it is a tourist attraction in its own right.

The line is hugely important to the Devon economy for two reasons: because of the role it plays in supporting tourism, and for its role in helping my constituents to commute to work and back. In my part of the world, public transport is important, as it is a very rural community. The Minister will be delighted to hear that the more rail travel we have, the smaller will be our carbon footprint, so I hope to achieve some support in that regard.

I shall dwell first on the economic value of the line and explain how important it is for Devon. Tourism accounts for 7% of the Devon economy, a substantial part. We have 5.3 million visitors a year, which is no mean feat. Teignbridge, the part of my constituency through which the railway runs, is the second most important destination for tourists. As a result, it is no surprise that 30% of the local work force are engaged in tourism or related industries. While tourists are in Devon, they spend in excess of £2 billion a year. That is a significant sum.

I turn to the commuting element, and the economic and environmental benefits of the line. The Minister may be surprised to learn that 2 million people used that line during the last 12 months. Indeed, Network Rail's estimate is that we will see 19% growth over this year and next. It has been identified as one of the fastest growing lines.

Sarah Newton (Truro and Falmouth) (Con): I thank my hon. Friend for giving way, and I congratulate her on securing this debate. I give her my support and the support of all Members of Parliament who represent Cornwall.

All trains from Paddington to Cornwall use this line, but we in Cornwall are even more remote and peripheral to the UK than Devon. The line is vital to us, and it should be protected and upgraded, especially given the environmental problems that I hope my hon. Friend will mention. The line is important not only for Devon, but will play an important role in the future economy of Cornwall.

Anne Marie Morris: I thank my hon. Friend for that valuable contribution and for the support she offers.

As I said at the outset, I am seeking the Minister's support for continued investment, and I shall explain why. During the last Parliament there was a House of Commons inquiry into an alternative inland route, which resulted from concerns about the viability of continuing investment, given the coastal path that the route takes. The inquiry findings were made public in February this year; its view was that, at a cost of £100 million, it simply was not viable. We now have a new Administration, and I therefore seek an assurance that the Government see the coastal line as a priority. That is particularly important as it will allow Network Rail and the Environment Agency to plan for the future, and it is clearly important that such planning be put in place now.

Why is it important that we plan now? It is important because, as many will be aware, this line has its own challenges, which are not new. They have been well rehearsed; indeed, the matter was last debated in 2006. The main challenge is this: as a coastal line, it is inevitably affected by erosion and a rise in sea level. The line follows 13 miles of tidal water, four of which are aligned with or cross open sea. The Met Office prediction is that sea levels will rise by 0.32 metres over the next 100 years. That may seem a lot, and we need to plan now because of the consequences.

Another factor needs to be taken into account. The Minister may know that the UK is on a tilt: the south-west is tipping into the sea, and the north-east is going the other way and rising out of the sea. As a consequence, the south-west is sinking by between 5 mm and 10 mm a decade. We need to consider what has to be done sooner rather than later.

I have discussed the problem with Network Rail, the body responsible for maintaining the line. It is more than happy—it believes that it is viable—to continue investing £500,000 a year to ensure that the sea wall remains rugged and fit for purpose. However, when looking forward to 2025, it believes that more investment will be required. If we are to make that further investment, we need to consider its quantum and what sort of disruption would be caused to local businesses, tourists and commuters, as we need to manage the process in a sensible way.

In my discussions, I have discovered two problem areas. One is in Dawlish Warren, where there has been consistent erosion; the sand has moved, to the benefit of Exminster and the detriment of Dawlish Warren. The Environment Agency's position is that we can hold the line, but come 2025 it believes that managed realignment will be needed. What will happen then, and what will the cost be? The second difficult area is Powderham bank. As the sea level rises there, the wetland will begin to disappear. We need to ensure that we still have the wetland, with its birds and wildlife, which means we will have to create a causeway for the railway line. The appropriate spot for that is Powderham bank, but significant engineering problems and costs will need to be evaluated.

We need a shoreline management plan, and the Environment Agency is responsible for ensuring that it is in place. As expected, it has developed an overarching coastline strategy. It has been diligent in renewing groynes and gabion defences. Recently the Environment Agency spent £100,000 on emergency repairs and, as we speak, is considering putting sand deposits on to Dawlish Warren to deal with the erosion problem. However, there is a challenge in getting agreement between all the interested stakeholders in Shoreline Management Plan 2, as it is called. That plan was discussed before the election, and was put on hold as we moved towards the election. Post-election, it is to be re-visited. There is a meeting in two weeks' time of the western structure

[Anne Marie Morris]

team, at which Teignbridge district council, the Environment Agency, English Heritage, the Countryside Council—indeed, all parties—will be present. My concern is that at that meeting there needs to be a real focus on what the priorities should be. That is why I would like the Minister's assurance that the priority is to ensure that line continues to run.

Therefore, I am looking for three things: a statement on the Government's behalf that it is their priority to keep the line running; confirmation that there is no plan to resurrect a debate about the alternative inland route at a cost of £100 million; and for the Minister and the Government to direct Network Rail and the Environment Agency to work together to find a way forward, putting this route and its long-term viability and infrastructure at the heart of the plan going forward. I might be so bold as to suggest to the Minister a time line, because I am conscious that with a plan and a time line, we will have a result. I suggest that in the rail regulatory period 5, running 2009-14, the Minister propose that the group look at putting in place a proper plan and implementing proper consultation, because the changes required in 2025 will have significant local implications. I then suggest that during rail regulatory periods 6 and 7, which run from 2015-24, we look at the design and the building of the work that needs to be put through. The Minister will already be well aware that the Government are committed to a high-speed train between London and Torbay; indeed, that starts next month. I hope that, given that commitment, I and others can expect support for this line. Otherwise, it will be a wasted investment.

In conclusion, I want to make clear on behalf of my constituents and those of adjoining constituencies how important this line is to the local economy of Devon and Cornwall and to the south-west in general. I make my case to the Minister on our constituents' behalf that this line needs to be protected and to have continued investment. We need confirmation that this is a priority line that will receive direction from the Government and, where relevant, funding.

4.23 pm

The Parliamentary Under-Secretary of State for Transport (Norman Baker): I congratulate my hon. Friend the Member for Newton Abbot (Anne Marie Morris) on securing the debate. She set out with great clarity the importance of the Exeter-Plymouth railway line to her constituency and the south-west in general. I welcome the opportunity to reassure her that the issues she raised about the route's long-term resilience are being taken seriously by the rail industry and the Government.

The Exeter-Plymouth railway line is of great importance to the economy of south Devon, Torbay, Plymouth and whole of Cornwall. It makes a significant contribution to tourism in the area. I am sure that there are many people whose first glimpse of the Devon seaside came from the window of an express train as it hugged the coast on the line between Exeter and Newton Abbot.

The line is also important for people getting to work and college, and also for the businesses that rely on it to maintain efficient contacts with the rest of the country. However, as my hon. Friend notes, its proximity to the coast is the line's Achilles heel, and it has been subject to temporary closures from time to time. Network Rail is responsible for the operation, maintenance and renewal of the rail network and it takes very seriously the long-term resilience of the network in the face of climate change.

It falls to Network Rail to continue to monitor the likelihood of risks to the safety and operational integrity of the railway in the Dawlish area and to propose further appropriate measures of protection from flooding and coastal erosion. Network Rail is fully aware of the importance of the section of coastal main line between Teignmouth and Dawlish Warren. I understand that around £9 million has been invested in recent years to maintain the integrity of the sea wall and the stability of the cliff face. Network Rail does not believe that the railway sea defences in the Dawlish area are likely to fail in the foreseeable future, thanks to the works carried out and ongoing maintenance and monitoring.

Network Rail advises that it spends around £500,000 each year, as my hon. Friend notes, on maintaining the sea walls and estuaries. A dedicated contractor work force is based at Dawlish. The sea walls are subject to an enhanced structural maintenance inspection regime, with an additional post-storm element, to ensure railway safety and performance, and to target resources at where the risk is greatest. Weather forecasts and tidal predictions are monitored, and when the combination of events reaches a pre-determined level, additional inspections are undertaken.

The implications of climate change will stretch into the long term, however. On 16 September, my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs responded to a report published by the adaptation sub-committee, which was set up as a result of the Climate Change Act 2008. She said:

> "Although we need to bring down greenhouse gas emissions internationally and to drive down our own emissions at home, we need to mitigate and adapt to the potential consequences of climate change. This is one of the key priorities contained in the coalition agreement."

This is a challenge that Government must rise to, but they cannot do it alone. Transport infrastructure providers need to recognise both the economic and social necessity of taking steps to protect the areas for which they are responsible.

Network Rail has been taking action for some time. It is working with the Met Office by using its data to help to stress test thousands of miles of rail tracks, embankments and bridges to determine whether they can stand up to the patterns of extreme weather predicted over the coming decades. The process is not cheap. The investigation itself will cost around £750,000, but when Network Rail points to such early action leading to savings of around £1 billion over 30 years, the work starts to look incredibly good value for money.

This new piece of work builds on an earlier technical study undertaken by Network Rail and the Rail Safety and Standards Board in 2008. The railway lines adjoining the Teign and Exe estuaries and the south Devon coast were used as case studies, and the conclusions suggested, not surprisingly, that the frequency of disruptions along the main line was likely to increase over the next 70 years as sea levels rise.

Network Rail has therefore identified that there is a problem—not just in south Devon but on other parts of the network—that needs to be addressed. The Department

for Transport is funding a major research project with Network Rail to understand the impact of climate change on the railway. The project has already identified wave over-topping and flooding at defended coastal and estuarine railways at Dawlish as a priority. The next phase of the project will provide the quantified evidence needed to decide where and when investment may be needed to maintain the resilience of the railway to increasingly extreme weather.

No conclusion has yet been reached on what mitigation measures might be required to minimise the risk to the rail network from rising sea levels at locations along the coast and river estuaries. Nevertheless, along with the key objective of protecting the railway, its users and properties adjacent to it, it must be a priority to maintain access by rail to the areas of south Devon and Torbay.

My hon. Friend asked whether keeping the line running was a priority, and I hope I have answered that question—it is. Do we see it as the main line to Cornwall—this point was also referred to by my hon. Friend the Member for Truro and Falmouth (Sarah Newton)—in the indefinite future? Yes, we do. I will turn briefly to the question of whether we intend to resurrect the debate about an alternative route. A number of suggestions have been made about building alternative routes away from the coast or reopening former railway lines such as the Exeter-Okehampton-Tavistock-Plymouth line. As I have pointed out, any solution cannot ignore the needs of south Devon and Torbay, so reopening that line alone would not meet one of our key objectives. That is not to say, however, that if the line were to open, it would not be welcome. It would be welcome but, in our view, it would not be a substitute in any shape or form for the main line along the coast.

My hon. Friend the Member for Newton Abbot also mentioned CP5 and the considerations for 2025, which she identified as a key date. I undertake to pass on her comments to the Minister of State, Department for Transport, my right hon. Friend the Member for Chipping Barnet (Mrs Villiers), so that she has them in mind as she discusses the contents of CP5 with Network Rail.

I am encouraged that Network Rail is engaging with other organisations to tackle the issue and taking it very seriously. My hon. Friend the Member for Newton Abbot referred to the Environment Agency, which has a key role to play. To meet her suggestion that we direct Network Rail and the Environment Agency to find a solution, I will be happy to write to them following the debate to stress the importance of maintaining the line to the economy of south Devon.

Housing Revenue Account Subsidy (Wales)

4.30 pm

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): May I begin, Mrs Brooke, by saying that it is a pleasure and an honour to serve under your chairmanship this afternoon?

The topic of my debate is the housing revenue account subsidy scheme, and it aims to highlight one of the great injustices of public housing policy in Wales during the last 20 years. That policy has led to a reported £2 billion in cash terms—not taking into account inflation—of the rents of some of the poorest people in Wales being returned to the Treasury. It has also led to chronic under-investment in the Welsh public housing stock, which is among the poorest and of the worst standard in Europe, with the associated social and health implications. It has deprived our communities of a significant cash investment. Furthermore, it has driven the stock transfer agenda.

With the UK Department for Communities and Local Government scrapping the housing revenue account subsidy scheme for England in September—a decision that we in Plaid Cymru welcome wholeheartedly—there can be no justification for Welsh local authorities having to continue paying around £100 million per annum to the Treasury.

As far as Wales is concerned, the story of the housing revenue account subsidy scheme is one of great incompetence by both Labour and Tory politicians, who have miserably failed some of the poorest people in Wales. Perhaps that is not surprising, as I am reliably informed that only a very few individuals understand the full complexity of the scheme.

As part of the then Conservative Government's relentless attack on public housing, the Local Government and Housing Act of 1989 led to the confiscation by the Treasury of a large part of the rents paid by tenants. The complication of the new arrangements was hardly helped by those arrangements being labelled as a "subsidy". My understanding of the word is that "subsidy" should mean some sort of financial benefit, but that was certainly not the case in this instance.

The effect of the 1989 Act was to undermine the attractiveness of public housing by running down its quality, as investment was redirected from local communities. Rents in Wales were lower than those in England—they still remain lower now—and that led to less revenue in general. The quality of housing in Wales is also generally poorer. However, under the terms of the Act, local authorities were forced to return any surplus from expected rent, after operational and maintenance costs were met, to the Treasury, rather than investing those moneys in the housing stock. That had the bizarre effect of promoting the stock transfer of public housing, which is a theme I will return to later.

Perhaps the use of the word "subsidy" comes from the effect of the new arrangements, which meant that those council tenants who were able to pay their rents were, via the new funding mechanism, paying for the housing benefit entitlements of others. Of course, that did not apply to private rented sector tenants or to tenants of registered social landlords.

With HRA payments being used to fund housing benefit, the greater the money that the Treasury could accumulate via the scheme, the less it needed to pay out

[Jonathan Edwards]

directly in benefits. Indeed, the 1989 Act allowed UK Government Ministers to set the expected level of rent income from each local authority, as well as the expected level of expenditure on maintenance and management of their homes.

Guto Bebb (Aberconwy) (Con): First, I congratulate the hon. Gentleman on securing this debate. On that specific point, it is also worth pointing out that the decision in 1989 to introduce those changes also meant that there was a more equal distribution of rents among the local authorities in Wales. Indeed, there was a cap on the increase in rents for local authority housing at that time.

Jonathan Edwards: The hon. Gentleman makes an honourable point, but I am trying to point out the perverse effects of the 1989 Act and I am sure that he will give me some time to do so.

As I was saying, the 1989 Act allowed UK Government Ministers to set the expected level of rent income and the expected levels of expenditure on maintenance and management of the local authority homes. The policy motive of the UK Government was to drive up council rents while decreasing expenditure on housing, in order to increase the differential and gain maximum financial advantage from the new arrangements. As a result, the quality of publicly owned housing stock in Wales significantly worsened.

The then Secretary of State for Wales, Peter Walker, was guilty of a dereliction of duty of the greatest scale, as Wales was included under the terms of the new arrangements while the Secretary of State for Scotland, Michael Forsyth, refused to sign the Scottish clause, meaning that Scotland was exempted from the 1989 Act. Considering that housing benefit is a UK function, there was no reason at all why Scotland should have been excluded and Wales included, apart from the ineptitude of the Wales Office and its Conservative occupants—if the hon. Member for Aberconwy (Guto Bebb) will forgive me for saying so.

New Labour being new Labour, it continued the policies of the previous Tory Government on public housing for the first three years after the 1997 election. In 2000, however, following a backlash among local authorities, the UK Government introduced proposals to amend the scheme without legislation. To end the deduction of rents from local authorities, the Treasury introduced in each housing revenue account an amount for spending on the renovation of properties. That new budget line was called the major repairs allowance and it was set at a level to ensure that local authority expenditure exceeded rental income, with the immediate effect of halting the Treasury's rent grab.

The increase in funding brought about by the MRA for England was from UK Government sources and the UK taxpayer, and hence a Welsh equivalent should have been introduced by increasing the block grant by the Barnett formula. However, and critically, those new changes were only applied to England. In what has been described as "the year of the great mistake" by Paul Griffiths, a former Labour Welsh Government special adviser, in an excellent Bevan Foundation article, for some reason the Treasury again decided to make Wales a special case and Labour, which was in control of the Welsh Government, totally missed the significance of the changes applied to the HRA in England. As a result, since devolution, Wales has lost a further £1 billion, with an average of around £100 million per annum being siphoned off from council rents in Wales.

It is true that the Welsh Government could have made a unilateral decision and left that money with the councils, but as devolution guidance notes insist that any policy decision must be neutral in its impact upon the Treasury that would have meant that the Welsh Assembly Government had to find a further £100 million from its already underfunded Budget to give to the Treasury. Therefore, that is a change that can be made only with Treasury consent.

We in Plaid Cymru continuously make the case that Wales is ill-served by the UK Government. The Barnett formula continues to underfund Wales to the tune of £300 million per annum. We welcome the announcement of a review of the formula, which will take place shortly, although for the life of me I cannot see why that review has to take place after the referendum. However, given its attitude on Barnett and other issues, it is no surprise to us that the Treasury would consider Wales as an afterthought in relation to the introduction of the MRA in England in 2000.

The gross incompetence of the Welsh Government of the time is less easy to understand. Quite how successive Welsh Ministers and Welsh civil servants have failed to challenge the inequity of the situation is beyond me. With a Labour-controlled Welsh Government more concerned with placating their London masters, it is hardly surprising that the people of Wales are being let down so badly. Indeed, it has taken a Plaid Cymru Housing Minister to put this issue on the agenda at all. In short, the Treasury, under Labour control, threw a hospital pass to the Welsh Government in 2000, with a tragic £1 billion consequence for some of the poorest communities in my country.

In 2004, the Welsh Assembly Government created its own MRA out of its own funds, which further confused the issue. It meant that around £100 million was diverted from other areas of devolved responsibility each year, when the right course of action was to demand what was rightfully Wales's from the Treasury. Therefore, despite the introduction of the Welsh Government-sponsored MRA, the Treasury continued to rake in their £100 million per annum from the HRA scheme in Wales.

As I mentioned earlier, one of the direct consequences of the HRA scheme has been to make the sale of publicly owned housing far more attractive, either under the terms of the right to buy or by the wholesale selling off of stock to registered social landlords, because housing associations are not covered by the scheme and are free to spend this money as they see fit on improving housing stock.

To date, the local authorities of Bridgend, Ceredigion, Merthyr, Newport, Monmouthshire, Rhondda Cynon Taff, Gwynedd, Torfaen and Conwy—the local authority of the hon. Member for Aberconwy—have all transferred their stock to housing associations, with many more local authorities seeking to follow the same path, due to their inability to access funds to help them to meet the Welsh housing quality standards set for 2012.

Guto Bebb: On that specific point, it is interesting to note that some local authorities in Wales have identified the issue and embarked upon stock transfer as a means by which they can invest in repairing the properties that they hold. Indeed, it is very interesting that Gwynedd council, which is actually controlled by Plaid Cymru, has also followed that procedure. However, I am sure that the hon. Gentleman will concur that it is interesting how often local opposition to such a move has been led by Labour politicians. In view of how the Labour Government in Wales failed completely in 2000 to address that issue, is it not surprising that local Labour politicians have been so opposed to those stock transfers?

Jonathan Edwards: The hon. Gentleman makes an excellent point. It is a shame there are no Labour Members here to debate that issue with us. Of course, he and I have divergent views on stock transfer. I will return to the situation in my home county of Carmarthenshire later.

Guto Bebb: My understanding is that Plaid Cymru party members are extremely supportive of the stock transfer undertaken in Gwynedd. In the county of Conwy, which I have the pleasure of representing, it has been deemed a great success, even though Labour party members opposed the decision.

Jonathan Edwards: The hon. Gentleman makes a point. To be honest, there is a debate within the party about the merits of stock transfer. I, for one, am not as persuaded as some of my colleagues in the north of our great country may be.

The stock transfer agenda has been driven by the denial of funds to Welsh local authorities that would not necessarily have wanted to go down that path, because of the housing revenue account subsidy scheme. The HRA scheme has therefore had the undoubted effect of driving greater change in Wales than was ever envisaged, and, in my view, not necessarily a change for the better.

My local authority, Carmarthenshire county council, which is keen on keeping its housing stock, was recently forced to borrow money in order to introduce its housing plan to keep its stock in public ownership. If the money from the council's own rents had been available to it, it would not have needed to borrow money; it could have used the revenue generated by its stock's rents. As a ring-fenced account, money collected in this way can only be used on housing. Why is that option simply not available for local authorities in Wales?

Due to the scale of the situation, it is perhaps surprising that the Treasury was unable to provide details of the HRA contribution made by Welsh local authorities when I asked a parliamentary question on the subject in July. Thankfully, it seems the Welsh Government are better at keeping records of that sort of financial transaction. Their response to my freedom of information request made clear the scale of the great rent robbery.

As the Treasury has been unable to provide the figures, it will be useful for the record and indeed for the Treasury's records if I outline each Welsh local authority's contribution in cash terms since 1999. If I may try the patience of the House, Mrs Brooke, the figures are, to the nearest million: Blaenau Gwent, £12 million; Bridgend, £16 million; Caerphilly, £70 million; Cardiff, £139 million; my home county of Carmarthenshire, £51 million; Ceredigion, £15 million; Conwy, £14 million; Denbighshire, £32 million; Flintshire, £62 million; Gwynedd, £53 million; Ynys Môn, £23 million; Monmouthshire, £33 million; Neath Port Talbot, £52 million; Newport, £75 million; Pembrokeshire, £63 million; Powys, £60 million; Rhondda Cynon Taff, £2 million; Swansea, £56 million; Torfaen, £71 million; Vale of Glamorgan, £56 million; Wrexham, £110 million. Merthyr was the only Welsh council in surplus of £5 million. If the Minister wants, I can provide an annual breakdown for each year since 1999, but I might try his patience a bit too much.

Guto Bebb: Do the figures quoted date from 2000 onwards, or from the 1989 decision?

Jonathan Edwards: From 1999, because the Welsh Government can provide figures only since devolution, but 2000 would have been the benchmark.

Considering the pressure on housing waiting lists, it is sobering to think that if those moneys had been retained over the past decade, 10,000 brand-new family houses could have been built in Wales, all eco-friendly and built to modern specifications. That could have helped address major social justice issues such as fuel poverty. Some 30% of households in Wales, not just those living in public stock, are in fuel poverty. We could have addressed Wales's terrible legacy of poor housing and associated poor health. The money could also have provided enormous benefits for the local construction economy, which is part of the backbone of Welsh employment, and improved the circulation of money inside some of the poorest communities in Wales.

I am informed that by now the Treasury will have received a letter on the issue from the Welsh Minister for Business and Budget and Deputy Minister for Housing and Regeneration. The letter encloses a report by Professor Wilcox, an expert on housing finance. I have not been privy to that report, but I believe that it argues that Wales should have parity with Scotland. I agree, as I hope will all parties in Wales.

Furthermore, the new UK Government's decision to scrap the housing revenue account for England this September means that there is no justification whatever for the Treasury's insistence that the scheme should continue to apply to Wales alone. Such is the inequity and injustice at the heart of the whole affair that I believe, as I said in a recent early-day motion, that the Treasury should make reparations based on the real-terms amounts of money accumulated over the past two decades. At the very least, the Treasury must make a clear statement that the provisions of the HRA and the great pillage of Welsh rents are to cease with immediate effect.

In terms of the UK Budget, this ever-decreasing figure, which lessens every time a local authority transfers its housing stock, is small, but to the tenants who must make do with poorer-quality housing than they deserve and the local authorities that want to provide new and better-quality housing for their residents, it is a significant amount. This is not just the right thing to do; it is the best thing to do and the fair thing to do. Diolch yn fawr.

4.45 pm

The Exchequer Secretary to the Treasury (Mr David Gauke): It is a great pleasure to serve under your chairmanship, Mrs Brooke. I congratulate the hon.

[Mr David Gauke]

Member for Carmarthen East and Dinefwr (Jonathan Edwards) on securing this debate and presenting his case with such eloquence and detail, although I am grateful to him for not providing the breakdown of every local authority for every year since 1999.

I am pleased to have this opportunity to discuss the Government's policy on the housing revenue account subsidy system and its financial consequences in Wales. Housing policy, as we heard from the hon. Gentleman, is governed by the same primary legislation in England and Wales, and the public spending framework is also similar. However, it is important to remember that housing policy itself is a devolved matter.

The HRAS system in Wales is based on notional income and expenditure on council housing, which is derived from information provided by local authorities. If the overall HRAS system is in surplus once all local authority expenditure has been totalled, the surplus is collected by the Welsh Assembly Government and given directly to Her Majesty's Treasury as annual managed expenditure.

I recognise that the existing centralised system is seen as complex and opaque and is therefore unpopular with local authorities across Wales, a point made by the hon. Gentleman. That is why the Welsh Assembly Government launched a review of the HRAS system last December. My colleagues in Government and I look forward to the outcome of the review. As he said, there is certainly potential to improve the current system, and any recommendations will be duly considered as part of our wider reform agenda.

It might be helpful for me to touch briefly on the example of England, about which we have heard a little bit. As part of the spending review, we announced that we will be ending the current HRAS system in England and introducing a new self-financing model for council housing that will abolish the annual centralised subsidy and replace it with a more transparent system that gives greater power to local councils and authorities.

As in many areas of public service provision, we seek to devolve responsibility away from the centre so that communities have more of a say in what goes on in their local area. The measure will enable councils to keep their rental income and use it to maintain homes for current and future tenants, providing new opportunities and incentives for authorities to plan for the longer term. That approach will allow councils better to meet the housing needs of their specific areas. Decisions will be made based on local knowledge and priorities, not a central Government formula. Details of the new system will be introduced this autumn as part of the localism Bill.

In principle, it would be feasible to construct a similar solution for Welsh authorities, if that is what they wish to propose. However, there are some differences between the HRAS systems in England and Wales that will need to be bottomed out. As I said, it is a devolved matter. Any decision on the future of the Welsh HRAS system will be made by the Assembly Government, subject to agreement by HM Treasury. I note some of the hon. Gentleman's criticisms of the Welsh Assembly Government—not all coalitions work as harmoniously as others do. His points are very much on the record.

It might be helpful for the hon. Gentleman to know that, earlier this week, my right hon. Friend the Chief Secretary to the Treasury wrote to Jane Hutt, the Welsh Finance Minister. He offered officials to work with Welsh colleagues on developing a similar reform to the Welsh HRA subsidy system, with the same protections provided for the position of the Exchequer.

Guto Bebb: I am obviously delighted to hear that because this is an important subject. Although I have made the point that stock transfer has been a way of dealing with the matter and providing a more local approach, it is fair to say that there is a cross-party feeling in Wales that the issue should be dealt with. It is part of the localism agenda and the Minister's comments are very welcome.

Mr Gauke: I am grateful to my hon. Friend for his comments. Indeed, I have a lot of sympathy with what he has said about stock transfer. If there is a consensus within Wales, from the position of the UK Government, the Treasury is keen to engage. As I said, Treasury officials are available to work with their Welsh counterparts to find a way in which we can move forward in this area. Yes, there are differences between the English and the Welsh system, but we are keen to consider the matter and engage in a positive way.

I thank the hon. Member for Carmarthen East and Dinefwr for securing today's debate. He has raised some important points and I am grateful to him and my hon. Friend the Member for Aberconwy (Guto Bebb) for their contributions. It is incredibly important to address the issue of housing needs across Wales—and the UK more generally—and the Government are keen to do so. I look forward to seeing the proposals for reform of the HRAS system that the Welsh Assembly Government are currently putting together and, as I mentioned earlier, the Treasury is keen to engage in that process. I hope that, through working in partnership with the Welsh Assembly Government, we can find a solution that meets the needs of local authorities in Wales set out by the hon. Gentleman. I also hope that we can deliver similar protection to the Exchequer as that achieved by the reforms we have undertaken in England, which have been assessed by the Office for Budget Responsibility as being fiscally neutral. In that context, I would like to say that this has been a useful debate. I am grateful to the hon. Gentleman for securing it and I hope he feels that it has enabled us to make some progress in this area.

Question put and agreed to.

4.52 pm

Sitting adjourned.

Westminster Hall

Thursday 11 November 2010

[MR ROGER GALE *in the Chair*]

BACKBENCH BUSINESS

Health (CSR)

[Relevant document: uncorrected oral evidence taken before the Health Committee on Tuesday 12 and Tuesday 26 October 2010 on Public Expenditure, HC 512-i and ii.]

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Simon Burns.)*

2.30 pm

Grahame M. Morris (Easington) (Lab): It is a pleasure to serve under your chairmanship for the first time, Mr Gale.

I thank the Backbench Business Committee for allocating this slot. I sought the debate to allow right hon. and hon. Members the opportunity to examine the real impact of the Chancellor's comprehensive spending review on the Department of Health, the national health service and, indeed, public health.

The coalition Government have set out a 0.4% real-terms budget increase over the spending review period. Although the numbers suggest that the Government are providing the NHS with a modest increase in its budget, the decisions they are making will mean cuts to services, staffing, capital spend, medicines and care. In truth, it is the worst settlement for the NHS in its 62-year history.

During the course of the debate, I want to challenge the Government's claim that they have met their coalition agreement pledge to guarantee that health spending increases in real terms in each year of the Parliament. Right hon. and hon. Members should note that £1 billion a year is being taken from the existing NHS budget to meet some of the growing costs of social care.

Not only is the coalition failing to rise to the task of dealing with the growing crisis in social care but, by transferring responsibility for social care to local government, it is trying to rob Peter to pay Paul, and then pretending that Peter still has money. Both the Nuffield Trust and the House of Commons Library have confirmed that due to the transfer of money from the health budget to social care, there will actually be a cut in the health budget. The latest House of Commons Library research report confirms:

"Including the (social care) funding is critical to the description of the settlement as a 'real terms increase'; without it, funding for the NHS falls by £500 million—0.54% in real terms."

For social care, there are storm clouds on the horizon. Even with the additional money taken from the health budget, there will be a shortfall of at least £2 billion—as set out by the Local Government Association—to maintain current standards by the end of the spending review period. It seems like another broken promise to say that the coalition will provide sufficient resources to maintain current levels of social care.

On top of that, the Government are removing the ring fence from the personal social services grant and merging the social care budget into the local government formula grant. The NHS Confederation has noted that with councils facing a 26% cut in their funding from central Government, money for social care might not get to those who need it. In short, this means that there is no guarantee that the money will be used as intended, thus creating a postcode lottery in care and a Government who are washing their hands of their responsibility to provide dignity to the most vulnerable in our society.

The Minister of State, Department of Health (Mr Simon Burns): Just to put the hon. Gentleman out of his misery, as he has prayed in aid the King's Fund, would he care to comment on—and does he agree with—its briefing for the debate? It says:

"In the context of significant cuts to other Whitehall budgets, the settlements for health and social care are generous. The government has met its pledge to protect the NHS budget and has prioritised additional funding for social care."

Grahame M. Morris: We have crossed swords before over an interpretation of figures. Later in my speech—

Mr Burns: It is the King's Fund.

Grahame M. Morris: I intend to come to the King's Fund in a moment. I suspect that the Minister is quoting rather selectively from its brief.

Mr Burns: To help the hon. Gentleman, and because I would like an answer to the question, may I say that I am not quoting selectively? I suspect that he, too, has the briefing. The quotation is at the top of page 4. It is the first and only paragraph of the conclusions, so it cannot be out of context.

Grahame M. Morris: I intend to come to the King's Fund in a moment.

Mr Burns: Answer that.

Grahame M. Morris: I will answer in a moment, if the hon. Gentleman gives me the opportunity.

I am also quoting figures from a recent House of Commons Library note—perhaps the Minister has a copy as well. It seems quite clear to me that, in terms of departmental expenditure limits and certainly in terms of capital, we are looking at a 17.9% reduction over the lifetime of the Parliament. Indeed, the Minister and I, and other colleagues from the north-east, have raised issues about NHS capital funding in the past—I want to mention those later in my speech. I am conscious that other hon. Members want to make contributions, so I shall press on for the moment and hopefully I can respond to the Minister in a little more detail in a moment or two.

To highlight some of the anecdotal evidence, at a recent meeting of the Community Practitioners and Health Visitors Association, which is part of the union Unite, front-line workers gave their feedback on the impact of cuts already in the pipeline. They expressed concern that a reduction in the number of practitioners was eroding the service to the public, that specialist staff were already being made redundant, that vacancies were being frozen, that case loads were getting bigger and that patients had to wait longer. They further pointed to a reduction in vital health promotion work, which has been highlighted before, and the fact that health visitors were now working significantly over their paid hours in chaotic circumstances.

Alex Cunningham (Stockton North) (Lab): I congratulate my hon. Friend on securing this important debate. Is he aware that, contrary to the Government's claims that they will protect the NHS, many jobs have already been axed in our health service, including nearly 200 on Teesside alone in recent weeks? Is he also aware that, just this week, school nurses in that area are being targeted and asked to volunteer for redundancy due to the very real cuts being imposed?

Grahame M. Morris: I have a whole series of examples of hospitals and services that are threatened with closure or reductions in services from right across the length and breadth of the country, which was highlighted in a recent report in *The Sunday Telegraph*. I have the whole list, so I agree with the valid point that my hon. Friend makes forcefully.

After only six months in power, the coalition is putting the proud record of the previous Labour Government on the NHS in jeopardy. On top of this, feedback from the front line shows that the Government are removing the safeguards and patient guarantees that drove down waiting times and assured the same quality of care irrespective of where a patient lived. This is not a Government protecting the NHS. It seems as if this is round 2 of what the Tories never managed to accomplish in the 1980s: to break up and privatise the service.

Ian Lavery (Wansbeck) (Lab): On 20 July, in evidence to the Health Committee, the Secretary of State said that he wanted to

"entrench the sense of greater ownership on the part of patients"—

that is ownership of the NHS. Is it not the case that the reforms will give ownership of the NHS to the private sector, and that only the NHS logo will be left behind?

Grahame M. Morris: My hon. Friend makes a valid point. The White Paper "Equity and Excellence: Liberating the NHS" certainly seems to be setting out in that direction.

Certain projects, and particularly one in my area, have suffered as a result of the departmental expenditure limits that I mentioned earlier, which will result in a decrease of 17.9% over the four-year life of the Parliament. A new hospital in the north-east of England at Wynyard was to have served the southern part of my constituency of Easington, as well as the constituents of Stockton North and Stockton South, and those in parts of Sedgefield and Hartlepool, but it was an early casualty of the cuts.

In the longer term, the coalition partners seem to want not a capital budget, but to pursue a roll-out of private finance initiative hospitals. They want to place every privately built hospital into competition in the private sector so that they can be commissioned by GPs controlling the entire health budget in the private sector. The direction of travel for the health policies of the present Government is clear, but it is my belief that the duty of the Government should be to protect essential public services such as the NHS from the distorting effects of the market.

We need to learn lessons from recent history. It is ironic that my party's efforts in government to incorporate market conditions in health showed that that could drive costs up rather than bring about efficiencies. Such an example was recently cited in the media. The Coventry University hospital was built under a PFI scheme. As we all know, PFI allows private companies to build public sector infrastructure, but although it gives the benefit of delayed costs to the public purse, those companies are entitled to levy huge interest rates, fees and services charges in the longer term. Treasury figures show that when the contract for Coventry University hospital is paid off in 2041, the estimated cost to the taxpayer will be £3.3 billion. If the state had built the hospital, the cost would have been a fraction of that sum. Indeed, the hospital at Wynyard was costed at £464 million—that is an incredible difference. Market discipline and privatisation do not automatically produce value for the public purse.

Mr Simon Burns: Will the hon. Gentleman confirm that that PFI scheme took place under a Labour Government and was approved by a Labour Treasury?

Grahame M. Morris: The Minister is right, but I was making the point that important lessons from history need to be learned. We are reacting to evidence that PFI does not necessarily provide value for money. Each case has to be considered on its merits.

Given the real-terms cut to health spending, an agenda of wholesale management reorganisation and the effective privatisation of the NHS budget, the impact of the comprehensive spending review and the Department of Health White Paper will not only alter the principles on which the NHS was founded, but squeeze health provision, increase costs, allow hospitals to go bust if they are failed by the markets, and create a postcode lottery of health services. There is widespread opposition to elements in the White Paper among health care professionals, including from the British Medical Association, which is not noted as radical left-wing organisation. The BMA states that it has

"opposed the increased commercialisation and competition imposed on the NHS in recent years and there is little evidence of any benefits to patients. It brings with it additional costs as well as disincentives for collaboration and co-operation."

Staff costs account for more than half of NHS expenditure. Future decisions on pay will have a great impact on the health budget. The Royal College of Nursing has already highlighted short-sighted cuts by NHS trusts to their work force and services. The RCN is aware that about 10,000 nursing posts have been earmarked for removal in anticipation of cuts to front-line services. What consideration has the Minister given to the pressure to increase staff pay in coming years? By 2013-14, GPs will have had their pay frozen for four years; consultants for three years; and NHS staff earning more than £21,000 for two years.

Ian Lavery: Is my hon. Friend aware that despite the two-year pay freeze on public sector pay for those earning above £21,000 a year, which was announced by the coalition in the emergency Budget, the King's Fund notes that the NHS payroll bill is likely to increase by up to £900 million a year due to the increments that are built into most NHS contracts? Does he agree that that reinforces the inadequacy of the NHS settlement for patient care?

Grahame M. Morris: I do indeed. My hon. Friend makes an important point. Another is the impact on the NHS budget of the VAT increase that is to be implemented on 1 January 2011.

Kieran Walshe, professor of health policy and management at Manchester business school, has criticised the coalition Government's approach of making change without evidence. The implementation of the massive reorganisation that is set out in the White Paper will need at least another £3 billion in addition to the sums already identified, such as for wage costs, inflation, and the increase in VAT. That is at least another £3 billion from the NHS coffers, and the plans were still being altered after the coalition agreement was published. The decision to abolish primary care trusts seems more like a last-minute whim of the Secretary of State than a well-thought, evidence-based approach to health service reorganisation.

Professor Walshe said:

"the transitional costs of large scale NHS reorganisations are huge...projected savings from abolishing or downsizing organisations are rarely realised."

Those of us who have been involved with local government will appreciate how true that is. He continued:

"Closing down or merging organisations produces a round of expensive redundancies, early retirements, and redeployment, while new organisations find new premises and appoint lots of new staff."

I echo the concerns of Mencap—I am grateful for its briefing—which states

"As the government have still been unclear about the transitional and ongoing costs for moving to the new commissioning arrangements, this settlement may not be sufficient to deliver against needs."

In contrast, the Secretary of State still believes that he can save money by carrying out the biggest reorganisation in the history of the NHS. Indeed, on 2 November, he said:

"We are cutting management costs in the NHS by 45%. We will cut total administrative costs as well, and in total that will save £1.9 billion a year by 2015."—[*Official Report*, 2 November 2010; Vol. 517, c. 759.]

Will the Minister tell us what account has been taken of the unknown costs of the reorganisation?

Professor Chris Ham is the chief executive of the King's Fund—the Minister's favourite organisation. He questions why the Government would

"embark upon such a fundamental reorganisation as the NHS faces up to the biggest financial challenge in its history."

Is it not the case that Ministers should be honest with the public? The impact of the spending review will mean deep cuts to vital services in the NHS. When the Health Secretary delivered his White Paper to the House, he said:

"The dismantling of this bureaucracy will help the NHS realise up to £20 billion of efficiency savings by 2014, all of which will be reinvested in patient care."—[*Official Report*, 12 July 2010; Vol. 513, c. 663.]

Coalition Minsters are trying to give the impression that health provision has somehow been protected by a real-terms increase in the health budget, but that myth is starting to unravel. The coalition Government have admitted that current levels of health care will not be maintained. They are undertaking a massive reorganisation and all the evidence suggests that the projected savings will not be realised.

Edward Macalister-Smith, the chief executive of NHS Buckinghamshire, said:

"the amount of money that is available from administrative savings, management savings and the financial back office, is a very small proportion. Most of the money is spent on clinical care. If you want to reduce your spending, make your spending more efficient, that is, I am afraid, where you have to concentrate."

It is simply not possible to achieve the sort of savings that the Government have outlined. The settlement for the NHS will come no way near maintaining current health care levels. Some £1 billion is being taken to plug the hole in social care. Many more billions are being wasted on a wholesale reorganisation, and the coalition seems to have agreed to take a gamble with the £80 billion NHS commissioning budget.

According to research carried out by the King's Fund, the VAT rise to 20% from January next year will cost the NHS an additional £250 million a year. Furthermore, additional pressures will be placed on the NHS, thanks to the massive cuts that are being levied on local government budgets. There are also serious concerns that cuts to local government will lead to a shortage of hospital beds as the elderly and vulnerable are left without local care, thus placing even greater pressures on the NHS. The 26% cut in central Government funding for local authorities will pile on the pressure for the NHS. Nigel Edwards, the head of the NHS Confederation, has warned that the pressure on beds could mean that hospitals will be unable to admit patients "who badly need care".

It is wrong for Ministers to pretend that their reorganisation will improve service delivery or that it is possible to save £20 billion through efficiencies alone. They should be honest about what they are doing to our national health service. The Government are not keeping the promises that they made to patients and staff to protect NHS health care funding.

Mr Simon Burns: I would hate the hon. Gentleman to escape from his earlier promise. He said that he would comment on the quote I cited, which, I repeat, has not been taken out of context. Let me remind him what it:

"In the context of significant cuts to other Whitehall budgets, the settlements for health and social care are generous. The government has met its pledge to protect the NHS budget and has prioritised funding for social care."

Does not the hon. Gentleman agree with that element of the King's Fund briefing; he seems to agree with anything that suits his argument?

Grahame M. Morris: Yet again, the Minister is quoting one specific element of the evidence. The King's Fund evidence is quite extensive. It is logged on the Health Committee's website and is open for the public to see. Many commentators and respected organisations take a view that runs counter to that expressed by the Minister.

I shall conclude because I know that other hon. Members wish to speak. Political and NHS leaders need to be realistic about the implications of the financial situation for patients, the public and staff. There are no pain-free options for the NHS. It is time that Ministers were honest about the future of the NHS. There is no doubt that over the spending review period, the NHS will have its spending power reduced. It is time for the Government to be honest with the public about the decisions they have made.

2.55 pm

Mr Kevin Barron (Rother Valley) (Lab): It is good to be here this afternoon under your chairmanship, Mr Gale.

First, let me congratulate my hon. Friend the Member for Easington (Grahame M. Morris) on having the foresight to table this subject for debate. The Minister and the rest of those present will be pleased to know that I shall not be quoting from the King's Fund during

[Mr Kevin Barron]

this debate—yes, I see that he is quite pleased about that. Instead, I have a brief from the Nuffield Trust about the likely effect of the comprehensive spending review on health, on top of what we have just been discussing. My hon. Friend talked about a 0.5% increase over four years, or something like that, but the Nuffield Trust argues at one level that there might be a bit more to it. Let me go into the brief it published last month, although it is not related to this particular debate:

"The 2010 Spending Review announced that the NHS will receive 0.4 per cent... growth over the next four years—0.1 per cent a year. This compares to an average real terms increase of 5.7 per cent per year from 1997/98 to 2009/10. This is the lowest four years' increase for the NHS since 1951-56. The Spending Review also allocates £1 billion a year from NHS funding to social care. The real-terms change in NHS funding, net of the social care support, is therefore a reduction of 0.5 per cent over the next four years."

[Interruption.] The Minister says that that is rubbish. Perhaps he can stand up and tell us whether he disagrees with it. I want to continue with this brief and ask him about something that is directly related to this. The next paragraph states:

"The Spending Review also announced important changes to the treatment of past underspends."

Many of us will know from talking to the NHS locally over the past few years that, because of the generous funding over the past decade, there are such things as underspends. The brief continues:

"Health has accumulated underspends of £5.5 billion, of which £3.7 billion is classified as 'resource' (ongoing expenditure on staff, medicines, equipment and the like) and £1.8 billion as capital. There is also a planned underspend for 2010/11 of £1 billion. According to the Spending Review, these accumulated stocks—known as end-year flexibility (EYF)—have been abolished. This means that any previous underspend that is honoured by the Department of Health will have to be made within the settlement outlined in the Spending Review."

Will the Minister tell us whether the current underspends that our primary care trusts, or perhaps hospitals, hold at the moment—I hope they will be spent on expanding services, as they have been over the past decade—will be clawed out?

The other issue that I would like to raise relates to the changes in commissioning. I am in a peculiar position on this. Some Members will know that I chaired the Health Committee in the previous Parliament. In March, we brought out a report on commissioning. The Government responded some time in July. When the Secretary of State was on the Floor of the House making his statement on the White Paper, he talked about the Health Committee and said:

"Before the election, when it had a majority of Labour Members, the Select Committee on Health said that PCT commissioning was weak and that it was not delivering what was intended. He set up a programme called world class commissioning—it never worked."

He was replying to the then shadow Secretary of State for Health. The Secretary of State went on:

"Central to delivering better commissioning in the health service is ensuring that those people who incur the expenditure—the general practitioners, on behalf of their patients—and who decide about the referral of patients are the same people who"

blah, blah, blah, blah. In reply to a comment from the current Chair of the Health Committee, the right hon. Member for Charnwood (Mr Dorrell), the Secretary of State said:

"In his capacity as Chair of the Select Committee on Health, we will be responding to him very shortly regarding the Select Committee's report from before the election on commissioning... What he has just said is absolutely right; we have been able—this is a central task in commissioning—to bring together the responsibility for management of patient care with the responsibility for the commissioning of services."—[*Official Report*, 12 July 2010; Vol. 513, c. 665-66.]

I have mentioned that because he has used my name on at least two occasions on the Floor of the House, basically to say that the report on commissioning that we published supports GP commissioning. I want to put it on record that, in my view—it was obviously my draft report and it was not challenged at the time—it does not support GP commissioning in the way that the Government are bringing forward the changes in commissioning.

We looked at four areas in that report, in relation to commissioning: whether to abolish PCTs and reintroduce health authorities; retain PCTs but introduce more integrated care; retain PCTs but introduce local clinical partnerships, under which GPs would directly control commissioning; and retain PCTs but commission services from hospitals. There was also the option to retain and strengthen PCTs. We did not come to a hard conclusion on any of that. I will not bore this gathering with the conclusions we did come to, but it is a gross misrepresentation to say that we were arguing for GP commissioning.

Maybe the nearest scenario that we looked at was the one in relation to local clinical partnerships. The Nuffield Trust informed us:

"There are key changes to the policy environment that are required if commissioning is to stand a chance of becoming effective."

That was one option, but local clinical partnerships, as we quoted in the report, look very much like the system of GP fund-holding, which had failed to improve commissioning, in our view and that of many other people. We also said that it might be expected to have the advantages and disadvantages of that system.

Mr Virendra Sharma (Ealing, Southall) (Lab): My right hon. Friend is talking about the GP's role. Does he agree that GPs are not trained for many of the roles asked of them, and not qualified to play those roles? There are no extra resources made available in order to gain the skills.

Mr Barron: That is absolutely true. There are fewer resources, because more is being taken out of administration than was planned before the spending review came along.

I am intrigued by the idea of giving clinicians power or giving GPs power. The British Medical Association is not saying no to the idea of GP commissioning. That is good—I have some quotations from it in front of me—but it would want to look at having a real local clinical partnership that included clinicians who worked in the local provider—the local hospitals. It believes that if we are going to do this, that ought to be looked at. I am interested to see whether the Minister agrees. One reason I say that is because, when we took evidence from his favourite organisation, the King's Fund, the Royal College of Physicians and others thought that PCTs should be retained, but that hospital clinicians and GPs should work more closely together. Professor Ham, who is obviously one of the Minister's favourite authors in these matters, said:

"There should be progressive migration towards clinically integrated systems, building on the most promising aspects of current reforms and drawing on evidence that shows the benefits of integration and the challenges of making a commissioner/provider split system function effectively."

He was arguing for real integrated care, but my understanding is that that is not what the White Paper is proposing. It is proposing that only GPs will have the power to spend 70 or 80% of the NHS budget, not other local clinicians as well. I would like the Minister to reply on that specific point.

Grahame M. Morris: I thank my right hon. Friend for giving way on the point about GP commissioning. That is an issue that the Minister might address. If streamlining in commissioning bodies saves money—I think the previous Labour Government demonstrated that by reducing the number of PCTs from 350 to 150, which was acknowledged by Sir David Nicholson—how can it save money to be creating a plethora of GP consortiums that will be responsible for commissioning? Creating such a plethora of bodies must add to administrative costs.

Mr Barron: I am grateful to my hon. Friend for his intervention. I have to say to the Minister that at no time when members of the Health Committee in the previous Parliament were looking at commissioning did we ever think that the Government would hand it over to GPs in the way being proposed in the White Paper. It has huge implications, not just for the NHS, but for GPs themselves. The only evidence we saw was that GP fund-holding has struggled for nearly 20 years to be a good, proper and efficient way to commission services. Frankly, nobody submitted any evidence to my knowledge for the leap into the dark of handing commissioning to GPs in such a quick period of time. Nobody gave that evidence whatever. There were some arguments about keeping the PCT and adding GPs to it, so that they could get the experience. Frankly, there should be more medical leadership in our national health service; I have no doubts about that. This leap in the dark with GP commissioning is something that, I fear, is unlikely to work. The professionals who work in the health service appear to have that same fear.

Ian Lavery: The coalition agreement states quite clearly:

"We will stop the top-down re-organisations of the NHS that have got in the way of patient care. We are committed to reducing duplication and the resources spent on administration, and diverting these resources back to front-line care."

Now we are seeing the largest ever reorganisation in the NHS. We are seeing the PCTs abolished and GP consortiums looking to take their place, which will inevitably create duplication and require more finance and more resources to be spent on administration. What does my right hon. Friend think about that?

Mr Roger Gale (in the Chair): Order. As hon. Members know, I am the most tolerant of Chairmen, but I cannot help noticing that we are having a significant number of scripted interventions that are rather long. I am not entirely certain that they are in order, but what I am certain of is that the subject of the debate is the impact of the comprehensive spending review on the Department of Health. We appear to be embarking on a debate around the structuring of the health service. I think that, somewhere along the line, hon. Members might like to refer to the comprehensive spending review.

Mr Barron: I had nothing to do with the interventions, Mr Gale, apart from giving way. There is no plan or plot. I thought I would seize the opportunity to talk about the commissioning report, because the current Health Committee is looking again at commissioning and the House has not had the opportunity to debate the report and the Government's response, which came in July.

In relation to the latest intervention, at the last Health Question Time the Minister attempted to reply to what I said about major reorganisations in the health service. It is well known now that they take years to embed, are normally very expensive and usually have a negative effect on performance while they happen. That has happened under every major NHS reorganisation in the last 20 or 30 years. That is the truth of the matter. If the estimate of the increase in costs arising from the reorganisation is right, the CSR will have a significant impact on the NHS in the future.

Frank Dobson (Holborn and St Pancras) (Lab): Beside the financial impact of reorganisation, even more important is the fact that large numbers of clinicians and others working in the NHS are distracted from their day job of looking after patients to go to innumerable meetings and discussions. In some cases, they even have to reapply for their current jobs. That is all to do with the reorganisation, so it wastes staff time, as well as wasting money.

Mr Barron: I think that there is some evidence in relation to that. Having said that, the evidence that we should be concerned about is the evidence that has come out in surveys recently about what GPs think about the proposed reorganisation.

I have in front of me a press release from what is probably the strongest trade union that we have in the United Kingdom, which is the BMA. The BMA does not like to be called a trade union, but, indeed, that is what it is. Along with the Minister's favourite organisation, the King's Fund, the BMA conducted a survey of doctors. I will quote from the results of that survey:

"Asked if the reforms would improve patient care, 38 per cent of doctors who responded either said they did not know, or said they neither agreed nor disagreed. Less than a quarter believed patient care would be improved."

Obviously surveys are surveys—we do not know what question was asked. In addition, I think that the number of doctors who responded to that survey was quite low. I would not lay great store in it, and the Minister probably has the figures from the survey in front of him. However, I want to point out what Dr Hamish Meldrum of the BMA said about the White Paper. He said that it had "many positive aspects" but added:

"Giving more power to clinicians has the potential to improve the quality and cost-effectiveness of patient care, but as this survey reflects, doctors believe that many of the proposals in the white paper would make joint working much harder."

He continued:

"GP-led commissioning will only be successful if there is effective integration between different parts of the NHS, but some of the proposals in the white paper will accelerate competition and fragmentation."

That comment takes me back to the question that I posed to the Minister about whether those local GP consortiums can include other people who work in the

[Mr Barron]

NHS, such as consultants, other people from the local hospital or providers of primary care services. Can such people sit on those consortiums or is it exclusively GPs who will do the commissioning?

I will not go into much detail, but I want to refer briefly to the comment that the coalition said that these proposed changes are not "top down". I appreciate that this debate might not be the right forum in which to debate that issue much further, Mr Gale, but what is the national commissioning board going to do if not act in a "top-down" manner?

There is good evidence—I do not think it has been denied by the Department of Health—that if a local GP consortium were to fail, the national commissioning board would intervene. I want to know what is the difference in concept between the national commissioning board and Richmond house. We have had about 40 years of battles between the NHS at local level and central Government, over central Government trying to give direction to the NHS at local level. How will that change?

Before I sit down I have a nice easy question for the Minister. I have here a press release that went out on 21 October, and the heading reads:

"New support for GPs will cut the costs of commissioning".

The press release continues:

"A new series of resources to support GP Consortia to design and commission services for patients was announced today by Health Secretary Andrew Lansley".

It says that those resources

"will provide... a set of tools and templates to use when designing and buying services for their patients. The first of these support packs published today is for cardiac rehabilitation services".

We are apparently saving money with GP commissioning, so I want the Minister to tell us what evidence he has that this new system will save money and cut the costs of commissioning? I ask that question because such evidence—evidence of how commissioning had cut costs—was one of the holy grails that the Health Committee could never find. It has been said in the debate, and it is well evidenced, that the changes in commissioning that we have had during the past few decades have done anything but cut costs. In fact, they have increased them.

I will finish by saying that the Health Committee's report on commissioning that was published in March said that we need to look wholesale at the past 20 years of payment by results, because payment by results is not working no matter what shape it comes in. We said that quite clearly in the report.

I do not necessarily want to make radical changes to commissioning, but I do want things to be better for patients and the public, and I am not convinced that the outcome of the White Paper will be better treatment for patients and the public, nor am I convinced about the evidence that the CSR's effect on health will be a better outcome for patients and the public. As I said, organisations such as the Nuffield Trust, which have great experience of our national health care system, are talking about a reduction of 0.5% in NHS spending. I fear that that will happen, and it is not what was in people's manifestos before the general election. I want the Minister to tell us what he thinks about that.

3.15 pm

Paul Flynn (Newport West) (Lab): I am very grateful for the opportunity to speak in this debate and I congratulate my right hon. Friend the Member for Rother Valley (Mr Barron) and my hon. Friend the Member for Easington (Grahame M. Morris) on their very illuminating speeches.

I will not follow the lines that my right hon. and hon. Friends have taken. However, I note that the comprehensive spending review has been described as generous by some. If we want to see a generous settlement in next year's spending, it is the settlement that has been given to the landowners and farmers of the country, especially when one recalls that the price of wheat has gone up by 47% and the price of lamb has gone up even more. Not only will the £3 billion that was given out in handouts to the farming industry be protected but it will probably be increased by 3%. Now, there is generosity from a Government.

When one considers what is behind this CSR, one is filled with a sense of despair; we have a new Government with new myths and new jargon, and we will have new errors too. An example of a piece of new jargon is that the National Institute for Health and Clinical Excellence is about to be emasculated and replaced by something called "value-based pricing". It sounds attractive, but we know that it will not work because the pharmaceutical industry supports it and the pharmaceutical industry has a long record over the years of demonstrating that the only thing that it supports is increased prices and an increased share of the cake for itself. That is what has gone on.

At least with NICE, we had a modicum of control over the increases in the price of pharmaceutical products and the increasing share that the pharmaceutical industry had of the NHS; a share that the industry took away for itself, consequently depriving other parts of the NHS.

We know of examples of that practice by the pharmaceutical industry, mostly involving anti-cancer drugs. One drug was promoted as an answer to pancreatic cancer. One of my constituents was very much involved in this field, and I did some research myself to find out exactly what that drug offered. As far as *The Sun*, the *Daily Mail* and all the other tabloids were concerned, this was a miracle drug that had to be obtained for patients and it was only the "mean" Government who were not allowing patients to obtain it. Having gone into the details of what this drug achieved, I found that it cost £16,000 a year and that it increased life expectancy by 12 days, but it caused side effects in 10% of the patients who used it, including death. The other side effects were so dreadful and destroyed patients' dignity to such an extent that their 12 days of extra life were of no value and would possibly even have been an increased burden to themselves and their loved ones. As is the case with many other drugs now, however, that drug was being pushed by the pharmaceutical company and its agents.

If we take away the power of NICE to make objective, scientific judgments, we will have the power of the tabloids and the lobbyists replacing it, and the patients associations will all join in behind them. We will have campaigns to persuade us; we will have patients on the television making appeals, patients who will be good-looking and who will arouse our sympathy. The pressure will

then be on to alter the priorities of the health service to accord with the demands of the pharmaceutical industry. This is a surrender from a reliance on objective, science-based judgments to a reliance on the prejudice-rich decisions of the tabloid press and "big pharma". Will the Minister guarantee that the price of drugs will go down?

Frank Dobson: Does my hon. Friend accept that the 150 drugs that are most commonly prescribed in this country are half the price that they are in the United States, where the pharmaceutical industry, roughly speaking, determines the price of drugs? We can guarantee that prices will start to go up under the new system.

Mr Roger Gale (in the Chair): Order. There is a very interesting debate to be had on those issues, but the hon. Member for Newport West (Paul Flynn) has been in the House a long time, and the right hon. Member for Holborn and St Pancras (Frank Dobson), who has just intervened, has been Secretary of State for Health and both are aware that, while the subject may be interesting, it is not to do with the comprehensive spending review, which is the title of the debate.

Paul Flynn: I want to address my remarks to the budget of the health service, and how it matches our priorities.

Perhaps I may move to a different subject. I should like to pursue what my right hon. Friend said. He is absolutely right that the lobbyists determine health policy in America, and will have an increasing effect on the comprehensive review, and on the demands on and priorities of the health service. However, I shall deal with another matter, which is not political in any way, because it involves decisions made by one Government, which were then approved by the pantomime horse of a Government we have now. It is about pandemics past and future. We have had a series of those, which have been costly for the health service. They go back to severe acute respiratory syndrome—a very severe and nasty illness, which killed more than half the people who caught it—through the threatened avian flu, which never lived up to its billing, to swine flu last year.

Swine flu in Britain cost the health service £1.2 billion on antivirals and vaccines. It also had other damaging effects, in that it scared the country greatly. People were frightened by the possibility of flu on the scale of the 1918 flu that killed between 25 million and 40 million people. It distorted all the priorities of the health service for a year. The health service gave attention to that rather than to the other things that it should have given attention to. It also involved the use of a vaccine that had not been trialled. The people who say it was not fully trialled are those who made it—GlaxoSmithKline and the other producers. That was a major event, and we might consider, knowing what we know now, how we got into that situation.

We were told by Liam Donaldson that it was likely that there would be between 3,000 and 750,000 deaths. He gave an average figure. We in the United Kingdom could expect 65,000 deaths, many of which would be among children. Rightly, that terrified the country and the media took it up. What was the source or basis for those figures, and the result? The result was that the number of people who died with swine flu was about 450. The number of people who died of swine flu was about 150. That compares with the 2,000 to 12,000 people—in one year it was 20,000—who die every year of seasonal flu. The swine flu outbreak was thus by any standards a minor event in Britain. Worldwide we were told to expect between 4 million and 7.5 million deaths. The total recorded was 18,000—a minute fraction of what had been expected.

In the context of the spending review, how do we prepare for another pandemic? What if we are given word by the World Health Organisation to prepare for another pandemic? Why did the WHO act as it did? It was for one reason—the definition of a pandemic changed between May and June last year. Scale 6 is the top pandemic; there is no six and a half, and no scale 7. The WHO told the press that there was a scale 6 pandemic; the press immediately went into hysteria mode and said that it was the same as the flu of 1918, and told us to prepare for tens of thousands of deaths. Until May 2009, the definition of a scale 6 pandemic was one that involved a tremendous number of deaths or serious illnesses. In June 2009 the definition was changed to take out that measure of severity and the point was made that it could involve mild flu. A pandemic would be a scale 6 pandemic depending on the geographical area in which the flu was detected. The alarming message came from Madame Chan, who was very much involved in the SARS outbreak in Hong Kong, and who expected something like SARS again. The world was expecting a flu epidemic, because we had one in 1957; there was a world flu epidemic in 1968, and another one in 1977. There was an expectation of a major flu epidemic, but we know the results now.

I want now to consider Tamiflu.

Mr Roger Gale (in the Chair): Order. I am very sorry, but I must ask the hon. Gentleman to make at least a thinly veiled attempt to relate his remarks to the comprehensive spending review. We are not having a general debate about the health service.

Paul Flynn: As to the likely spending this year, if there is another threatened pandemic, how are we to fit it into the spending review, and future spending, since we are at present tied? Do we draw the lessons of what happened last year? If another epidemic comes along, will we react in the same panic-stricken way, or act as another country did? Perhaps we should consider the present spending review in the Polish Parliament. Ewa Kopacz, who has responsibility for health, was interviewed by GlaxoSmithKline, who told her, "We are not going to guarantee this vaccine, because we haven't trialled it properly, and if there are any adverse reactions you, the Polish Government, will be responsible." Ewa Kopacz said, "Well, if you don't trust it, I don't trust it."

The Polish Government spent about 7 zlotys on the vaccine, compared with our £1.2 billion. The result was that they had half the number of deaths per million of population that we had. I want to point out that huge financial decisions were made in the swine flu pandemic, and we should have drawn the lesson from them, but we have not. We had a review, by one Department, which was a whitewash and was approved by the Government, and which said that the reaction was proportional. It was not proportional if we compare UK spending with the spending in Poland—which was virtually nothing—given the result that they had.

[Paul Flynn]

Tamiflu was approved by the Food and Drug Administration in America on the basis of its being a mass placebo medicine. In December 2009 the *BMJ* published an article alluding, in a reference along the lines of "Somebody stole my Tamiflu research paper" to the traditional excuse that students give for not doing homework. The authors had tried to find the research that said Tamiflu was some good, but it was not there. The *BMJ* could not find it. The FDA in America approved Tamiflu not because it found it was useful but because it had gone into the research and found that the drug was no better than a couple of aspirins. It had no perceived proved value; but the FDA approved it because it wanted to be able to prescribe something in the event of an epidemic. They wanted to show a man in a white coat, giving a pill. It would have an advantage as a placebo—but there is no advantage.

In spite of that, in this year's spending review we shall almost certainly spend more money on Tamiflu and the vaccines that have not been properly trialled. I am not against vaccines, which are a huge and miraculous improvement in world health, and have saved thousands of millions of lives, but there are serious doubts about the fact that we spent our money last year, and might spend more next year, on a vaccine the side-effects of which are now becoming apparent in various countries—Japan, Finland and India.

I sense that you are going to call me to order, again, Mr Gale. My point is essentially how we order our finances in the spending review. With the changes in NICE, there will certainly be another increase in drug prices. The drug bill constantly increases, in real terms and as a proportion of the health budget. That has been going on for the past 20 years. It will happen again if we hand over power to the lobbyists and big pharmaceutical companies. We are seeing it now. It has been said that instead of a postcode lottery, we have a one-way escalator to higher prices. If we surrender further to hysteria about another world pandemic or to pressure from lobbyists to buy certain drugs to the detriment of other health services, the spending review will be inadequate. The Department will spend more money on drugs—some required, some totally unnecessary—and further impoverish the NHS, creating a decline in important life-saving services.

3.30 pm

Rosie Cooper (West Lancashire) (Lab): Thank you for allowing me to contribute to this debate under your chairmanship, Mr Gale. I am a passionate advocate for the national health service. For more than 30 years, I have been directly involved in it. Through the health authority, I was chair of Liverpool Women's hospital for 10 years; just before I became an MP, we took the hospital to foundation status. I am also currently a member of the Select Committee on Health.

I explain my background because I want the Minister to understand that I have witnessed at first hand the roller coaster that the NHS has been on—reorganisations, crises, investment, disinvestment and improvements—as it has sought to deal with a dramatically changing world and shifting demands and expectations. However, today the NHS faces perhaps its most far-reaching and fundamental challenge since its inception. I will lay out some of the challenges for the future of the NHS that will be driven directly by the Department of Health settlement in the comprehensive spending review.

The Chancellor's announcement in the CSR that health would receive a real-terms increase of 0.1% revealed the tension and struggle that will define the future of the health service. It is not exaggerating to say that decisions in the CSR and subsequently in the Department of Health are life-and-death decisions. We cannot afford to play Russian roulette with the future of the people's health services.

We must disregard the rhetoric and myth-making of the Conservatives as they seek to demonstrate that they have changed when it comes to the NHS. Sadly for the health service, I am not convinced that they have changed at all. Before the general election, the now Prime Minister pledged clearly to end the merry-go-round of organisational change and to protect NHS funding. Those two clear and definitive statements would have suggested to voters a period of stability and continuity for the NHS, even in these difficult and challenging economic times.

There was certainly no indication at that point of what the Secretary of State was about to unleash. We are only now starting to get to grips with the implications of the proposed changes. As a member of the Select Committee who has addressed Department of Health officials and the Secretary of State, I am not sure that the Department of Health is really in control of what is happening. As far as I can see, the current policy in the Department of Health is "Don't ask for the detail; we haven't made it up yet." All the changes are being led by the Secretary of State.

Statements change from one minute to the next. We are told that primary care trusts and strategic health authorities will remain until 2013 to underpin the changes; then, today, Sir David Nicholson, chief executive of the national health service, warned the Secretary of State that his proposal to abolish all PCTs by 2013 could affect quality and safety. The whole thing is becoming a circus. The plans were described by one journalist as an accident waiting to happen, and by a doctor as a politically motivated reorganisation of the NHS. That is hardly critical acclaim.

The Secretary of State for Health said to the Conservative party conference that the Government had made

> "An historic commitment to increase NHS resources in real terms each year".

That is over-egging the pudding somewhat, given the 0.1% increase. The Government could not have done any less without failing to keep their commitment. It is the lowest settlement since the 1950s. That promise must be seen in context: in-year efficiency savings of £20 billion; £1 billion taken out of the NHS to make up half the £2 billion allocated to local authorities for social care, which is not ring-fenced; an increase of £200 million to £300 million in VAT costs after the coalition increases the VAT rate; a possible £800 million to £900 million in redundancy payments over the next two years; an anticipated budget shortfall of about £6 billion by 2015; a 17% cut in capital expenditure; a two-year freeze for those earning £21,000 or more, with the expectation of a catch-up in salaries post-2013. Hospitals face financial pressures because the Department of Health has frozen the tariff. Those are the downward pressures on the financial strength of the NHS, without

even taking into account the long-term strategic pressures that will shape the nature of health services and increase the strain on the NHS. They will inevitably require a more substantial budgetary provision than 0.1% year on year.

The Minister knows that the NHS faces increasing demand for services, an ageing population, an increasing number of people with complex long-term illnesses, rising treatment costs and more and more expensive medical technology. On top of that comes the far-reaching organisational restructuring of the entire health service. Sir David Nicholson told the Health Committee that the productivity challenge was huge and had never been done on the same scale in the NHS or anywhere in the world, and it is expected to happen during the transition into the new world of NHS commissioning.

With your permission, Mr Gale, I will quote Nigel Edwards, chief executive of the NHS Confederation. I asked him:

"I just wonder whether you could address this in a few sentences: do you think that we can release these productivity gains, face the furore of the populace, who will not be happy with the comments you have made about hospitals closing, and GPs in consortia trying to manage this system and, in the interim of trying to get there, a lot of the PCTs and strategic health authorities—the good people—are jumping ship? So you are now facing a huge, dangerous area where you may not have the personnel to keep what we have got going. How are we going to get the consortia—the GPs who are commissioning services—facing the wrath of their people, when some of the services they are well used to are closing down? At the same time we are busy saving all this money, do you actually think we can do it?"

He responded:

"I was going to say I think you have encapsulated the problem extremely well...my personal view is there is a very, very significant risk associated with the project that you have just described."

On top of that, we have heard warm words from the Secretary of State. In various speeches, he has said that the guiding principle will be:

"'No decision about me, without me'",

yet when we examine the detail—very little of which is available—the truth appears different.

Frank Dobson: My hon. Friend is right to deal with such global matters. Does she think that it is possible for the Secretary of State or the Minister to reconcile all that benign guff about the money being there with the Government's proposal to take £16 million away from Great Ormond Street hospital for sick children in my constituency? It is the most famous of its kind in Britain, with world-renowned staff, and it now faces major cuts.

Rosie Cooper: I share my right hon. Friend's view. Alder Hey, which is adjacent to my constituency and serves my constituents, will be similarly affected. We are taking a worrying direction.

On "No decision about me, without me", the Secretary of State said to the Select Committee that

"the conclusion that we reached was that we could achieve democratic accountability more effectively by creating a stronger strategic relationship between the general practice-led consortia and the local authority."

Many people might imagine that that would mean patients being at the heart of decision making and that consortia would operate with councillors, the public and non-executives on the board with a vote. However, that will not be the case. The scrutiny will come from well-being boards. The fact that they will not be at the table and will not have a vote means—as with the current local authority overview and scrutiny arrangements—they might as well not be there. In the Health Committee, I said that such a situation was like throwing snowballs at a moving truck—in other words, the decisions and views of the well-being boards would make little or no difference.

In reality, the Government are giving the NHS budget to GPs, many of whom just want to practise medicine, rather than get involved in this giant policy experiment. There will be no testing; it will just be a big bang. The Government will use the consortiums as a shield to deflect criticism, rather like the way they are currently using the Liberal Democrats. There are rumours that the Prime Minister is getting worried about all of this. I can only hope that that is true.

The warning signs of what this means for the national health service are already apparent. There was an 80% increase in bed blocking in hospitals between May and September. I expect that that situation will only get worse, especially when the cuts to local government budgets really start to bite. Hospitals are once again increasingly becoming the safety net when the funding for social care has been used up. If a local authority cannot afford to provide the necessary care, people will end up in hospital.

Questions were asked at the Health Committee about reserves held by NHS organisations and how they would be treated. Primary care trusts are beginning to refuse to provide certain treatments. We have also had announcements on the future role of the National Institute for Health and Clinical Excellence, which will no longer advise on drug treatment and is moving towards value-based pricing. Will the Secretary of State control the drug companies pricing policies or, as most people think, will the drug companies shortly be back in control? We will soon be back to postcode prescribing and, more worryingly, we are making the availability of drugs a political rather than a clinical decision.

When I hear Government statements about their commitment to the quality of health care and delivering outcomes, my thoughts return to the fight between myth and reality. The idea that front-line services will not be affected seems somewhat delusional. During questions at the meeting of the Health Committee on 26 October, it became apparent from a witness giving evidence that hospital closures would be necessary to release moneys back into the wider health service. We were told that that was part of "managing demand" and "redesigning care pathways." I have heard those two phrases throughout my health service attachment and they are very much back in vogue at present.

The failure adequately to address the true budget requirements of the NHS will not deliver and continue the quality of care that patients expect and need. These are short-term measures that have long-term consequences. They are ill thought out and will have major ramifications for the people who rely on access to vital health services. For those people, such services are a lifeline. Nobody is pretending that nothing can be improved in the health service. However, does it have to be subject to untested reorganisation while we are trying to manage increasing demand in the current financial climate?

[Rosie Cooper]

The Labour Government were rightly proud that they reduced waiting lists from 18 months to 18 weeks. It took 13 years of proper investment to turn the NHS around, and it is a service that we should rightly be proud of. My fear is that Conservative policies could destroy all that hard work within a matter of 13 months. I agree with the comments of my right hon. Friend the Member for Wentworth and Dearne (John Healey) about the "broken promises" of the coalition. My fear is that those broken promises will lead us headlong into a broken NHS—or is that the intention?

3.44 pm

Mr David Lammy (Tottenham) (Lab): I congratulate my hon. Friend the Member for Easington (Grahame M. Morris) on securing this Back-Bench debate today. I shall take the opportunity to talk about the effects of the spending review on health care locally. In concentrating on my constituency of Tottenham and on the London borough of Haringey, I hope to illustrate some of the real concerns of what would traditionally be classed as deprived and disadvantaged areas.

When one looks across the canvas of political issues, it must be the sincere hope of all hon. Members that health care should not be treated like a political football. People's lives literally depend on health services. In the run-up to the general election, I was therefore pleased by the Conservative party's undertakings on health care spend. Frankly, I was pleased at the absence of detailed policy on health in the Conservative manifesto. It felt to me as if we had perhaps arrived at a place in which health care could be a quiet zone for a few years. That is absolutely and clearly not the case. The coalition Government and the rapid plans they have brought forward will bring about the biggest change to health care in this country that we have seen since the war.

I am absolutely certain that such changes will have a detrimental effect on my constituents in Tottenham. It is important to remember that Tottenham is a constituency with the highest level of unemployment in London. It is a constituency that we like to say is the most diverse in not just London but the UK and possibly Europe. Mortality rates among many of the members and subsections—different groups—of the community are high. If someone caught, for example, the W3 bus at Northumberland park—just up by the Spurs stadium—and travelled across the constituency to the other side of Haringey, they would experience a life expectancy rise of about 10 years. That is the reality in this part of north London.

We have heard about the conclusions reached by the King's Fund and by the Nuffield Trust. Those organisations have been in the business for many years; they are independent and they are clear that there will be a cut in funding to the NHS over this next period. However, the truth is that the Minister knows that when we talk about health care, it is absolutely the one policy area that does not sit on its own in some kind of silo; it is dependent on what is going on around it.

Much has been said about multidisciplinary working and agencies working together, but what is happening at the coal face in an area such as mine is that the local authority is calculating how to afford 28% cuts in local community services. What is actually happening is that the borough commander is calculating cuts to his front-line services and that, in an area that has experienced high levels of knife crime, youth services will be cut over this next period. Right across the board, the things that people rely on will be cut. Where will those challenges end up? They will end up in the local hospitals and in the GP surgeries at a time when the Government are proposing a fundamental restructuring of how we afford health care locally and are handing power down to GPs.

Not all the country is like a leafy part of Surrey. There are GPs—sometimes single-handed GPs—in communities such as mine who are struggling. We have GPs, as has been said, who simply do not have the practical skills needed to engage in GP commissioning on the scale proposed and over the time frame proposed. What will that mean for health care? I would like the Minister to say something on what will happen in communities such as mine, and in London more generally. We still do not know the size of the areas proposed, so I would like to hear something on that today.

I remind the Minister of a recent debate on housing benefit that focused on the health implications of the proposed changes. In the London borough of Haringey, we have already seen other local authorities begin to place people in our borough in reaction to those proposals. I have been advised by the lead member for children on the council that 27 additional children who are on the child protection register have been placed in the borough in the past two months. In remind the Minister that it is in my constituency that baby P lost his life. Those were profound challenges that found the health care system wanting in that borough and involved one of our greatest hospitals, Great Ormond Street, which, as we have heard, now faces a £16 million budget cut. This is a serious debate and we need some serious answers.

The biggest problem facing health care in my constituency is that Haringey PCT is forecasting a year-end deficit of £35 million, largely because of some of the problems I have outlined. If one includes the deficits faced by Enfield and Barnet, that amounts to a £110 million deficit in that part of north London. Which GPs does the Minister think will take on a £110 million deficit, and what does his Department propose to do about PCTs that have deficits of that level? Is he asking them to make in-year cuts to deal with it, or is he saying that the Department will pick up the deficit? It does not take a rocket scientist to work out that few GP commissioners will rush to take on a deficit on that scale in a constituency with the needs that I have outlined. I ask him to read his notes quickly, because we want an answer. What are his proposals for PCTs with such deficits?

What are the Minister's plans for mental health? We have heard very little about mental health services and the relationships that they will be expected to have in the new arrangements, in the context of cuts beyond the borders of mental health in the local authority and in relation to social care.

The Minister might recall that my first ministerial job was in the Department of Health. I remember working with my colleague, John Hutton, the former Member for Barrow and Furness, as he negotiated the GP contract. Many Members will have their views on our former colleague, who has most recently been employed by the Minister's party. They will also have their views on the contract and the success of those negotiations, which I

was not privy to, because they were being led by the Minister at the time, who has now taken his seat in another place.

Historically, the arrangement we have in this country is that GPs are the for-profit element of the NHS; they run small businesses and have done since the war. We are obviously grateful for the oath they take and the undertaking to serve people in their local communities, but does it not seem bizarre to hand power to the element within the NHS that has historically always been its for-profit element? How will that save costs in practice? Will it not make things even harder than they are?

I started my time in the Department in 2001, just as PCTs were beginning to bed down and find their feet. For a community such as mine, the great benefit of having the chair, the non-executive directors and sometimes councillors come forward to be on the boards was that local people were in the driving seat. I do not claim that that ever got to where we would have liked it to be, but for the first time in London we began to see the leadership of PCTs reflecting the communities they served.

I also remember the situation we inherited at the Whittington hospital, the other hospital that serves the local community, with beds lined up in the corridors—a problem that we successfully dealt with over time. The Minister has previously made a commitment that the Whittington is safe under the new arrangements, but will he reiterate that for the record? Will he state for the record that North Middlesex University hospital, which has just seen a huge rebuild, is also safe and commit to the health strategy for Barnet, Enfield and Haringey, which sees that hospital really servicing the needs of that poor part of London?

This is a hugely important time for health care in London. It is a time when I want to be able to talk to people. I want to be able to find people to discuss the deficit and the existing health needs, but guess what? I cannot find them. I cannot find them because they are beginning to leave and because there are now proposals to amalgamate so that there is a pan-London relationship on all those issues. That is not local at all. It is disastrous, frankly, for people in my constituency, which has seen profound health care challenges over the last period that have got on to the national agenda as a result. I am looking forward to what the Minister has to say.

Frank Dobson: Before my right hon. Friend leaves the subject of the Whittington hospital, in which he was born, does he remember attending one of the rallies to save the A and E department? The current Secretary of State, then the shadow Secretary of State, promised at the time that the unit would not be closed. Is he confident that that still applies, because there are all sorts of rumours that its closure is once again being contemplated?

Mr Lammy: My right hon. Friend is right. I am grateful to him for that question and for his great expertise in health care matters. We are lucky that he is one of the MPs representing north London. I was at that rally, as was he, along with all the MPs from the wider north London area, because it was a cross-party issue. It was absolutely clear that the then shadow Secretary of State had promised a future for the Whittington hospital and had said that the A and E would remain. I hope that that is still the case because, if it were to go, the effect on health care outcomes for the people of north London and certainly my constituents would be profound. The Royal Free hospital in Hampstead is too far away to expect them to drive there in the event of an emergency.

I conclude on that basis. I am grateful to have been able to put on the record some of the health care issues in Tottenham and Haringey.

4 pm

Ian Mearns (Gateshead) (Lab): Thank you for your indulgence, Mr Gale, in allowing me to speak this afternoon. I apologise; I was in the main Chamber earlier for the debate on policy for growth. I also thank my hon. Friend the Member for Easington (Grahame M. Morris) for securing the debate. To look at us, one would not believe that we are often mistaken for each other. I do not see how that comes about, but I understand that it does—it is something to do with the accent, I believe.

Despite pledges that the NHS would be ring-fenced from Government cuts, according to press reports, dozens of accident and emergency and maternity units have been earmarked for closure or merger. Let me highlight a few: Newark hospital in Nottinghamshire will have its A and E services downgraded, and emergency admissions will stop being taken from April 2011. At the Queen Elizabeth II hospital in Welwyn Garden City, A and E services will be downgraded and the consultant-led maternity unit could be closed. There will also be a downgrading of A and E services at Rochdale infirmary. The Conservative's election manifesto promised a moratorium on the forced closure of A and E units and maternity wards, so what happened to that pledge?

The situation proves that the settlement provided for health by the comprehensive spending review is not sufficient to meet the pledges made by the coalition parties. As my hon. Friend said earlier, the Prime Minister's promise in January, and the coalition agreement pledge to

"guarantee that health spending increases in real terms in each year of the Parliament",

will not be met.

Mr Simon Burns: Rubbish.

Ian Mearns: The settlement agreed by the coalition will leave the NHS unable to meet growing cost pressures, and that will reduce its purchasing power each and every year. The Government seem to be in denial—that has just been shown by the Minister's sedentary comment.

Kieran Walshe, professor of health policy and management at Manchester business school, who has already been cited in the debate, puts the figure for reorganisation at up to £3 billion, but there is nothing to say that it will not cost significantly more. We do not yet see where the money will come from.

One of the last reorganisations under the Labour Government involved reducing the number of primary care trusts from 303 to 150. In oral evidence to the Health Committee, Sir David Nicholson, the chief executive of the NHS, stated that it generated

"significant management cost savings and gains at that time. If you look at productivity in the NHS in 2006-07, by 2007-08 you see productivity improved."

[Ian Mearns]

If streamlining and reducing commissioning bodies has saved significant amounts in the past and created efficiencies, why does it appear that the Government now want to create more commissioning bodies? Some say that up to 500 general practice consortiums would be required, but it could be more than that.

The GP involvement in the process is questionable. My local experience in Gateshead as deputy leader of the council with the adult social care portfolio was that it was often difficult to engage GPs in the process of partnership working—they are very busy people. In addition, it takes time for any organisation to become an effective negotiator in commissioning relationships with acute care providers, and to develop health provision plans and purchasing capacity. Why is the coalition placing those additional pressures on the NHS at a time when it is cutting its spending power?

Press reports—the Minister refers to these as rubbish—give fairly extensive lists of hospitals facing A and E closures, maternity closures and cutbacks. Let me quote an example:

"Despite pledges that the NHS would be ring-fenced from government cuts, dozens of A&E and maternity units have been earmarked for closure or mergers."

Those are the words of not some revolutionary incitement periodical, but *The Sunday Telegraph*. I do not think that many of the people on yesterday's demonstration about the proposed hikes to tuition fees were hawking *The Sunday Telegraph* as some kind of revolutionary organ with which they could incite the crowd to further action.

The Sunday Telegraph refers to:

"More than 30 maternity and casualty units facing the axe",

and provides us with a significant list of examples from all over the country. It also tells us that, as a result of the spending review, the NHS faces a bed-blocking crisis. It states that the permanent closures and downgrading of services agreed since May affect many hospitals.

Mr Burns: Give us some.

Ian Mearns: There is a long list. However, according to *The Sunday Telegraph*:

"Maternity units in Tiverton, Okehampton and Honiton, Devon: plan to downgrade services so they will not offer any midwife care overnight. Solihull Hospital: maternity unit was shut as a temporary measure just before the election. It re-opened in July as a midwife-led unit. Proposals to make the closure permanent due to be published within weeks"—

I could go on. For Hartlepool, in my region, we are told that there is a "proposal to close A&E" and that that will be

"replaced with minor injuries unit, and direct admissions for emergency medical cases."

Of course, that comes on the back of the announcement a couple of months ago of the cancellation of the replacement North Tees hospital.

Mr Burns: I would hate the hon. Gentleman to mislead the Chamber. He can quote examples, but given that he is the Member for Gateshead, I would assume that he is familiar with this. Surely he knows that Hartlepool has withdrawn the application to close the A and E.

Ian Mearns: This is a very recent *Sunday Telegraph* report. I am glad to hear what the Minister says, but it is not the real issue for the area—that is the replacement North Tees hospital. As the Minister told us in a previous debate in this very Chamber, a brand new hospital worth £450 million, with brand spanking new service facilities, will be sacrificed for the grand sum of £11 million a year over the life of the hospital.

The Sunday Telegraph goes on to state:

"Hexham, North Tyneside and Wansbeck hospitals in Northumberland: Casualty units would no longer take ambulance cases if a new hospital is built near Cramlington."

The Hexham hospital provides A and E services for people in a large constituency. I would not like to be dragged backwards by my hair between that constituency and Cramlington, because it is an awfully long way. There is a great deal more in the article.

The health service in my constituency is unrecognisably better than the one that we inherited in 1997. I would like to place on record my personal thanks to the staff of the neurosurgery unit at Newcastle General hospital, without whose efforts I would not be standing here today, because I had neurosurgery on my spine about 22 months ago. The Queen Elizabeth hospital in my constituency is now a very well regarded resource for the region and has a regional surgical support unit. Our other primary care facilities include the successful Gateshead smoking cessation service, which has reduced the prevalence of smoking—*[Interruption.]* I am not having a go at the Minister; I really mean that. However, the service is important to my constituents. We have reduced smoking rates in my constituency with its help from some 35% just over 10 years ago to about 21%. That is vital to the life expectancy of many thousands of my constituents. There is great concern, worry and uncertainty about what the future holds for such services as a result of the Government's decisions.

The spending review will force deep cuts in patient care as the Government focus on a wholesale NHS reorganisation that will negate many, if not all, of the efficiency savings. I have real concern about commissioning, in that we will see GP practices coming together and then outsourcing to some fairly significant global players. Those players will take over the services on a local basis—they are out there, ready and waiting. It is not in the interests of patient care for money to go out of the public sector as profit for those companies.

4.10 pm

Derek Twigg (Halton) (Lab): I thank my hon. Friend the Member for Easington (Grahame M. Morris) for securing this very interesting debate and his excellent speech. Such debates are important to our more detailed examination of Government policy. This is the first opportunity I have had to welcome the Minister to his obviously well-deserved promotion. He is a stalwart supporter of the coalition Government and I am sure that his efforts had a lot to do with the coalition coming together. I look forward to hearing his speech.

It is interesting that not a single member of the coalition has stood behind the Minister to support his policy. That might indicate that the Secretary of State and his Department are somewhat isolated because there is a great deal of worry about what is happening. All the speeches have been very important. Of course, they have all been Labour speeches.

Mr Simon Burns: Old Labour.

Derek Twigg: No, not all old Labour at all. There has been a mix of Labour: young, old, new—some a bit younger than others. My hon. Friend the Member for Easington made some very important points about this being the worst settlement since the 1950s, and he raised the point about rising to the challenge of the financial settlements and the impact on social care. We heard many important points from my right hon. Friend the Member for Rother Valley (Mr Barron) who, along with my right hon. Friend the Member for Holborn and St Pancras (Frank Dobson), is probably the most experienced person in the Chamber, given his knowledge of the health service and his involvement in it over the years. One of those points was what the Nuffield Trust said about this being a real-terms cut, once the £1 billion that is being transferred from the NHS is taken out—I shall come back to that later. My right hon. Friend also made an important point about how the Government have used a Health Committee report to support their policies. His point was very clear, and he also raised the important issue of commissioning for GPs.

My hon. Friend the Member for Newport West (Paul Flynn) made a very important point about NICE and drugs companies with reference to funding and influence. My hon. Friend the Member for West Lancashire (Rosie Cooper) has great experience in the health service. She is a near neighbour, and our areas successfully share the excellent women's hospital in Liverpool. She made a number of powerful and important points about the reorganisation and cost pressures, and their effects on patient care. She also talked about Ministers not listening—*[Interruption.]* I know that the Minister has listened to what has been said in the Chamber, but Ministers' listening will also be an important aspect of the reorganisation.

My right hon. Friend the Member for Tottenham (Mr Lammy) made a powerful speech. I think he said that because he had believed what was in the Conservative and Liberal Democrat manifestos, he was somewhat disappointed—*[Interruption.]* Perhaps I got that wrong, but he made the point that what was said before the election and in the manifestos is not now being delivered.

Frank Dobson: Does my hon. Friend agree that if my right hon. Friend the Member for Tottenham (Mr Lammy) were a coalition Member and he believed everything that was in the Tory and Liberal Democrat manifestos, he would be unique?

Derek Twigg: I always carry a copy of the coalition's programme for government—it is a fascinating read and, I must say, comforting at times.

My right hon. Friend the Member for Tottenham made some important points about mortality, the different life expectancy rates in his constituency, and the impact of the 28% cut on local government services, to which I shall return later in my speech.

Mr Simon Burns: I advise the shadow Minister to take the analysis of the right hon. Member for Tottenham (Mr Lammy) of the impact of the so-called figures that he used with a pinch of salt, because he also said that when he was as a Health Minister in 2001, he remembered the PCTs beginning to bed down. That was rather confusing, because of course the PCTs were not established until 2002.

Derek Twigg: The hon. Gentleman should have listened much more carefully to what my right hon. Friend the Member for Tottenham said. He made a lot of good points, including one about GPs being put under pressure by the reorganisation due to the fact that some of them do not have the skills that it will require. That was a very powerful point, because many GPs are either opposed to or very uncertain about the Government's proposed reorganisation.

My hon. Friend the Member for Gateshead (Ian Mearns) made a very impassioned speech about his own experience, his local health service, of which he has great knowledge, and the consequences of the Government's actions for A and E and maternity units. He also made an important point about the great uncertainty in the health service as a result of the reorganisation—not just financially, but in all aspects of the service.

It is worth reiterating that we have had some successes in the health service, although many of them were achieved in recent years by the Labour Government rather than during the Conservatives' 18 years in government. Back in 1997, I was regularly contacted by constituents who had to wait between 18 months and two years to have an operation. We have now got that time down to 18 weeks or fewer, and two to three weeks for cataracts. I set out that information because the Government will be measured on such things, although I am not sure whether they will be "outcomes", "horizons" or "milestones". A million more operations have been carried out each year since 1997, and there is now rapid access to chest complaint clinics. A large part of the NHS estate dates from before 1948, but we now have more than 100 new hospital building schemes and more than 90 NHS walk-in centres.

We have not achieved those gains for patients without sustained, deliberate and targeted investment. The combination of reform and investment that Labour undertook when in it was power has brought about tangible results for patients: heart disease deaths are down by more than a quarter; cancer mortality rates are down by more than a tenth; and breast cancer and male lung cancer death rates have been cut faster than anywhere else in the world. Under the cancer target, patients now see a cancer specialist within two weeks, which saves many lives. We made real investment and real change, and real people's lives were made better. Let us see how the coalition intends to honour some of Labour's guarantees. It has scrapped the right to cancer test results within one week of referral.

Mr Burns: Will the hon. Gentleman please explain in rational terms how something that was never in place can be scrapped?

Derek Twigg: As I said, that was one of our guarantees, and the Government have not taken forward those guarantees. They have gone against what we said, which was welcomed by many patients and organisations. Free prescriptions for vulnerable patients with long-term conditions have been scrapped and, in this Parliament, some 8,000 new psychological therapists have been scrapped.

Mr Burns: The shadow Minister is a reasonable and intelligent individual, so he knows that we did not scrap that target because it was never in place. All that happened was that the previous Prime Minister, at his party conference just over a year ago, made public an aspiration that was totally unfunded and totally untried against any clinical guarantee for quality.

Derek Twigg: The Minister should realise that he cannot meet what we proposed. I notice that he intervenes on that point, but not to congratulate us on the many improvements that we made in the NHS over the years. I look forward to hearing what he says about those improvements in his speech.

Returning to mental health, the Department of Health website says:

"Policy around mental health is developing...Mental health policy cannot be devised and implemented by any single government department or the NHS alone – it requires collaboration across central government, local government and the independent sector."

We knew that already, did we not? However, the coalition has cut those 8,000 therapists. Of course the financial climate is difficult, and whomever was in government would have difficult choices and decisions to make, but the Prime Minister and the coalition have, again, broken their promises on health, which I want to explore, particularly with reference to the CSR.

For all the coalition's boasts of ring-fencing the total NHS budget, the negligible 0.1% increase in NHS spending over the CSR period is low by historical standards, as we have heard. The King's Fund has been cited, but let me give another quote from it:

"the NHS has averaged real terms increases of 4% a year since it was established and 7% since the turn of the century. The only similar period of near-zero real terms growth was in the early 1950s"

I think that the Minister agrees. Spending in the NHS has increased from 6.6% of gross domestic product in 1996-97 to 8.7% in 2009-10.

The Minister might be interested to hear that the Royal College of Midwives has said:

"there are fears that a funding increase of 0.1% a year could be swallowed up by a rise in drugs, an ageing population, the cost of reorganisations and inflation."

While we are on the subject of midwives, will the coalition deliver on the pre-election pledge to increase substantially the number of midwives, or will that be another broken promise?

Perhaps the Minister will want to respond to my next point. The CSR also announced that £1 billion will be transferred from the NHS budget to local councils for spending on social care. He will argue that that is designed to improve working relationships between the NHS and local social services departments, to improve health and to reduce costs on the NHS, such as by helping older people to stay healthy and independent in their homes. Of course, that is a good thing. However, the Government cannot have it both ways and double count. This is a real-terms change in NHS funding over the next four years. When we consider the net funding for social care support, there is a reduction of 0.5%, which is a real-terms cut.

Mr Simon Burns *indicated dissent.*

Derek Twigg: The Nuffield Trust actually supports that point of view. This is a broken promise. Will the Minister confirm that not all the additional money for social services announced in the CSR is ring-fenced?

Mr Burns: I want to respond to the point that the shadow Minister made about the Nuffield Trust. He said that we were giving £1 billion to local authorities for social care, but we are not giving—*[Interruption]* I think that he did say that, but if he did not, we will wait for my speech.

Derek Twigg: Let me make it clear that £1 billion is being taken out of the NHS budget. Is that correct?

Mr Burns: Carry on.

Derek Twigg: Therefore that is a real-terms cut of 0.5%.

Mr Burns *indicated dissent.*

Derek Twigg: I am asking the Minister to intervene. Has £1 billion been taken out of the NHS budget for social care?

Mr Burns: I will be careful because of the context in which the shadow Minister is trying to put the matter. We have made no secret of what we have done. Because of the lack of funding for social care and the demand for it, which we inherited, we have decided that we will use £1 billion out of the capital budget on social care and, at the same time, local authorities, through the revenue support grant, will provide another £1 billion. There will be £2 billion of extra money: £1 billion from the health service, which the health service will spend, and £1 billion through the RSG.

Derek Twigg: I am not sure about that, although I am always happy for the Minister to intervene. Will he confirm, just for the record, that £1 billion has been taken out of the NHS budget?

Mr Burns *indicated dissent.*

Derek Twigg: I will carry on and we will take this up later during the Minister's speech.

Will the Minister make clear whether the money has been ring-fenced? What what will be the impact on local services of the 28% cut in councils' budgets over the next four years, which was announced as part of the CSR? We must not forget the increase in VAT to 20% from January, which several of my colleagues mentioned, which will do little to enhance the NHS's spending power. It is little wonder that the King's Fund feels it necessary to warn:

"slashing budgets and cutting services should not be the answer to the financial challenge facing the NHS."

I cannot allow the Government to get away with another disastrous decision for the NHS and it will be interesting to see what the Minister has to say about this.

The NHS has accumulated £1.8 billion of capital and £3.7 billion of revenue underspend. It would normally be allowed to keep that money to reinvest in patient care or to help deal with future overspends, but the CSR has

abolished end-of-year flexibility. Perhaps the Minister would like to deny that or tell me that we have got it wrong.

What estimate has the Minister made of the number of job losses and redundancies in the NHS that will occur as a result of the CSR? What will be the impact on waiting times in the spending review period? What is his estimate of the number of nurses who will be employed in the NHS at the end of the spending period? What measures has he implemented to deal with winter pressures? How many specialist nursing posts will be left vacant at the end of this financial year? I have many other questions. We do not have time to go into them now, but I shall be tabling a lot of written questions for the Minister to answer.

We now move on to another broken promise in the context of the CSR, which has been the subject of a fair bit of comment. An ideologically inspired, top-down reorganisation of the NHS has been proposed. It has been put forward in defiance of the coalition agreement. The approach is untested and threatens the viability of the NHS. I remind hon. and right hon. Members that the coalition agreement says:

"we will stop top-down reorganisations of the NHS"—

another broken promise. Here is a straight question for the Minister: why, as many believe, did his party hide their plans for such a massive reorganisation from the public? Why did it make no mention of the scale of the proposed changes in its manifesto or election campaign? This is the biggest reorganisation in NHS history. The King's Fund estimates the actual cost at some £3 billion, and that is at a time when the NHS can ill afford it. The British Medical Association has stated:

"these proposals risk undermining the stability and long-term future of the NHS".

What is the Minister's latest estimate of the financial cost of the reorganisation, and will he publish the rationale underpinning the assumption for those costs?

The coalition talks about reducing waste, but the 45% cuts in strategic health authorities and primary care trust management will save just £850 million of the £15 billion to £20 billion of efficiencies that are required. I could not agree more with the words of my right hon. Friend the Member for Wentworth and Dearne (John Healey):

"This reorganisation is untested and unnecessary. It is high cost and high risk. At this time when finances are tight, all efforts should be bent to making sound efficiencies and improve patient care. We are in favour of giving clinicians greater responsibility and patients a greater say in their healthcare. NHS experts, professional bodies and patient groups say 'slow down', because this big reorganisation is a big risk for the NHS."

Trade unions such as Unison, the RCN and Unite, who represent many who work in the NHS, have raised genuine concerns, but we do not believe that the Secretary of State is listening to what is being said.

As part of these changes, there is danger of fragmentation, of more of a postcode lottery and of doctors' time being diverted from their main role of looking after their patients. We need to know the extent and nature of future private sector involvement in running the health service. How and to whom will organisations be accountable? How can we deal with current overspends in organisations, which my right hon. Friend the Member for Tottenham mentioned?

Will the Secretary of State and the Chancellor listen to the appeal of patient groups, Royal Colleges practitioners and other health staff, or is he bent on setting his face against the view from the coal face—from the same professionals whom his party's manifesto says we should trust to deliver services?

I want to mention another important issue: the proposed stealth cuts to the funding of specialist children's hospitals, which will affect the hospitals that treat some of the most severely ill children in the country. The Prime Minister promised that the health budget would be "protected". In an interview with Andrew Marr on 2 May 2010, he said that he

"would not accept cuts to the NHS".

It is unarguable that specialist children's services are the front line, so even that is not being protected. This is another promise broken by the Prime Minister.

The Secretary of State is not being straight on this matter. During oral questions on 2 November, he told my right hon. Friend the Member for Holborn and St Pancras that the hospital that my right hon. Friend asked about would face a 2% cut under the proposed tariff changes. That is bad enough, but it is contradicted by the trust's own assessment of those changes, which suggests that they will bring about much larger cuts. Will the Minister set out—I ask him this carefully—what the situation is and how much funding the hospitals will lose?

I will give a couple of examples of the figures that we have received from the hospitals involved. Great Ormond Street hospital, which is in the constituency of my right hon. Friend the Member for Holborn and St Pancras, will face a cut of £16.3 million. In Birmingham, the cut will be £12.8 million, and at Alder Hey hospital, on the doorstep of my constituency, it will be £12.9 million. Will the Minister confirm what the funding cuts will be and how much those hospitals will lose? What figures have the hospitals provided to the Department in their assessments of the cuts? Will he make public any assessment that has been sent to his officials about the impact of the tariff changes?

I do not feel that Liberal Democrat or Conservative Members have realised the true extent of what the coalition Government are doing to the health service and the impact that it will have on their constituencies. Perhaps they are not in the Chamber because they find the measures difficult to support. As the impact of the health cuts becomes clearer, I believe that hon. Members will become more worried and will seek answers to the broken promises of the Prime Minister and the Secretary of State.

There have been broken promises on NHS funding to protect front-line services, and broken promises about structural change. Hon. Members might ask why the Secretary of State is forcing the NHS into a major reorganisation that costs valuable time and resources at a time that the King's Fund and the NHS Confederation have called the biggest financial challenge of its life. I assure the Minister and the Secretary of State that we will hold the coalition Government to account for what they have said and what they will do.

4.31 pm

The Minister of State, Department of Health (Mr Simon Burns): I begin by thanking the Backbench Business Committee for and congratulating the hon. Member for

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Easington (Grahame M. Morris) on this interesting debate. In passing, let me say what a difference six months makes. Six and a half months ago, all the Labour Members who are sitting on the opposite side of the Chamber were in government. Some of the examples of reconfigurations and decisions taken on the health service happened under the last Labour Government, although some hon. Members seemed oblivious to that as they criticised what is happening.

Grahame M. Morris: Will the Minister give way?

Mr Burns: One moment; let me make a start. We have taken difficult decisions and, as I will explain, we have honoured our election pledge on a real-terms increase, albeit a modest one, as a number of hon. Members, including the hon. Member for West Lancashire (Rosie Cooper), pointed out. However, no hon. Member tried to explain why that increase had to be so modest, which amazed me. The reason was, quite simply, our inheritance of the most horrendous debt and deficit problems, left to us by the previous Government. That would have tied the hands of any party, including those of the Labour party had it won the election. Rest assured, if the previous Government had been re-elected, they would have been making serious cuts.

Having listened to a number of speeches, it is slightly ironic that some hon. Members present seem to be oblivious to the fact that one of the Labour leadership candidates during the recent campaign, the former Secretary of State for Health, the right hon. Member for Leigh (Andy Burnham), criticised us for honouring our pledge of a real-terms increase in NHS funding. He said that it was a disgrace that we were keeping to that pledge and that, in the overall spending programme, we should not be honouring our pledge of a real-terms increase in health spending. I find that a bizarre proposition from a former Labour Secretary of State for Health, but that was his view and his decision. Judging by the faces of some Labour Members, they seem oblivious to the fact that the right hon. Gentleman criticised us about that. That somewhat undercuts the arguments that I have heard today from those who say that we have broken our promise and not kept to a real-terms increase. They will have to make their mind up one way or another.

Grahame M. Morris *rose—*

Mr Burns: Because I have such affection for the hon. Gentleman, I shall give way to him.

Grahame M. Morris: The Minister has just destroyed my reputation. My point is about the cost of the reorganisation at what is a difficult time for the economy. Why embark on an expensive major restructuring of the health service? It does not make any sense. Previous reorganisations were expensive and time consuming. Surely, if we learn anything from evidence, it is that now is not the time to do this. Another top-down reorganisation is the last thing we need.

Mr Burns: I am grateful to the hon. Gentleman for that intervention, and I am sure that his reputation will survive my praise of him. I shall, in my own way, come to the point that he raises.

Before I begin to explain why we have not broken our election pledge, let me congratulate the hon. Member for Halton (Derek Twigg). He is a dedicated and decent man who was always an exemplary Minister when he was in government. I am delighted to see him back on his party's Front Bench, albeit in a shadow ministerial post, and I wish him well in his endeavours. I trust that he will be doing the job for many years to come and that the same fate will not befall him as sadly befell him when he left the previous Government: ironically—I grieve as much as he does about this—his place was taken by someone who was ostensibly a Tory, who was, for some bizarre reason, embraced with both arms by previous Prime Minister. It is great to see the hon. Gentleman back, and I look forward to many debates over the coming years as our careers continue.

This debate goes to the heart of two of the coalition Government's main priorities: bringing the public finances back on to a sustainable footing and ensuring the future health of the nation. Our manifesto commitment, reiterated in the coalition agreement, was to increase spending on the NHS in real terms for every year of this Parliament. Notwithstanding the comments of some hon. Members, I am tremendously proud of the fact that we have kept the faith and honoured that pledge. Before anybody jumps up to try to intervene, let me remind them that I am proud of keeping that pledge.

The right hon. Member for Leigh, the former Secretary of State in the outgoing Labour Government, has criticised my party for keeping that pledge because he thought it was wrong. It would be difficult for any Labour Member to claim that we have broken the pledge, because, by definition, if we have broken the pledge, the right hon. Gentleman is factually incorrect in his criticism of us. It is a bit of a dilemma for Labour Members.

Mr Barron *rose—*

Mr Burns: I give way to the former Chair of the Health Committee.

Mr Barron: What does the Minister say when the Nuffield Trust states that the Government have broken the pledge by reducing spending by 0.5%?

Mr Burns: We will come to that point. Whenever there is a parliamentary briefing or statement for a debate that fits the prejudices that Labour Members want to project—their straitjacket—that is fine, but anything that does not conform to their prejudices or prejudged views, or to the facts, such as the comments from the King's Fund on which I kept pressing the hon. Member for Easington, which confirmed its view that we had honoured our pledge and made a real-terms increase, they dismiss as fiction. I am afraid that I do not share the support offered by the right hon. Member for Rother Valley (Mr Barron) for the views in the Nuffield Trust document.

I will come on to social care spending, because I know that the shadow Minister, the hon. Member for Halton, made quite a lot of that. I will try, in a longer period than I would have in an intervention, to show that he is wrong and the Government are right.

Frank Dobson: Will the hon. Gentleman give way?

Mr Burns: I will, but then I must make progress.

Frank Dobson: What is the Government's estimate of the money that will be consumed by the process of reorganisation during the process of reorganisation?

Mr Burns: I will briefly answer that now; I was going to come to it later. The figure that has been bandied around by shadow Ministers, Labour Back Benchers and so on is £3 billion. The Department does not recognise that figure. We recognise the figure that the previous Secretary of State for Health, the right hon. Member for Leigh, put in this year's Budget, which is 1.7%. He put that in specifically for reorganisational purposes under a Labour Government. That is the only figure—*[Interruption.]* That is the only figure that we recognise.

Derek Twigg: Will the Minister give way?

Mr Burns: Once, then I will make progress.

Derek Twigg: The Minister is using a figure that was in the Budget for reorganisation. I assume that that reorganisation is not the reorganisation that his Government are proposing, so have he, the Department and his officials made any assessment of the cost of their reorganisation? That cannot in any way be linked to a figure that was laid down by the previous Government; it is bizarre if it is. If they have made such an assessment, what is the rationale for it and will he publish it?

Mr Burns: I am saying that the previous Secretary of State had built in to this year's Budget a £1.7 billion figure for reorganisational purposes and we recognise that amount of money as money that can or could be used for reorganisational purposes. On the question of the full figures, we will publish in due course our response to the consultation process on the White Paper and the documents that flowed from that White Paper. Also, we will respond on any decisions that we have taken emanating from that consultation process. We will also publish the Bill, which will flesh out more of the details where details need fleshing out.

As a number of hon. Members mentioned, there are parts of the Bill where we are not prescriptive and we are not dictating, down to the last dotting of an i and crossing of a t, what has to happen. That will be down to local decisions. That will then put us in a position—

Derek Twigg: Will the Minister give way?

Mr Burns: No. That will then put us in a position to move forward on the implementation and funding the costs of those changes. I shall now move on to deal with the rest of the issue. This year, before we spend a single—

Frank Dobson: Will the Minister give way?

Mr Burns: No. I gave way to the right hon. Gentleman once and I said that I would then make progress, because the purpose of my speech is twofold: to outline our view on the subject—

Mr Lammy: What are you scared of?

Mr Burns: I am not scared of anything. The purpose of my speech is to outline the Government's view on the subject, rather than simply, as in an Adjournment debate, answering every single point from hon. Members who have contributed. I will not fall into the trap of being sidetracked into answering, as in an Adjournment debate, all the points that have been raised. I will certainly deal with those that I can deal with in the time available, but I shall primarily give the Government's view on the topic before us, so I beg some indulgence from hon. Members as they listen and learn why we have kept our pledge.

I shall start again. This year, before we spend a single penny on health, education, defence or anything else, we shall have to pay £43 billion simply to service the interest on our debts. That is £120 million a day and more than £83,000 a minute. Those who are mathematicians will realise that during this three-hour debate that will have cost us £15 million. The colossal debt racked up by the previous Government is crippling the country. That is why, through my right hon. Friend the Chancellor, we have had to act decisively to lay the foundations for setting the economy back on track. The country simply could not continue to sustain such debt and payment of debt interest.

When the Chancellor stood at the Dispatch Box last month to deliver the spending review, he set a course for sustainable finances. He set out our plans to turn the country round, so that by the end of this Parliament our national debt will be falling, instead of rising, as a proportion of national income. To achieve that, over the next four years we need to reduce public spending by £81 billion. Difficult decisions have had to be taken, and more lie ahead, but the result will be a strong economy, more jobs and sustainable public services. As I have said, just as important as reducing the deficit is protecting and improving the nation's health.

Paul Flynn: On a point of order, Mr Gale. There is a tradition in this place that Ministers making the winding-up speech reply to the debate. This Minister has been speaking for 14 minutes and has not mentioned a single point made in the debate.

Mr Roger Gale (in the Chair): The hon. Gentleman has been in the House long enough to know that the Minister is responsible for his own speech and his own remarks.

Mr Burns: The hon. Member for Newport West (Paul Flynn) probably is not aware, because this is a new form of debate following the setting up of the Backbench Business Committee, that I am not winding up the debate, even if I am speaking last. I am making a speech on the Government's position on the subject that we are debating, and I will certainly—on occasions, where appropriate—refer to and answer hon. Members' questions, although I have to say to the hon. Gentleman that I probably will not answer any of his questions because he was not taking part in the same debate that is on shown on the annunciator. He was having a general roam-about on NICE and pharmaceuticals, rather than speaking on the spending review and health.

Derek Twigg: That is very unkind.

Mr Burns: No, it is not. It is a fact, and the hon. Gentleman knows it.

As I said before the intervention and the point of order, just as important as reducing the deficit is protecting and improving the nation's health. That is why I am proud that we have kept our pledge to protect the NHS budget. More than that, it will receive an increase of 0.4% over the next four years. In this difficult financial

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climate, that demonstrates the Government's determination to provide the best care and the best outcomes for patients.

This year, the NHS budget is £103.8 billion. That will rise to £114.4 billion by 2014-15. No matter how anyone looks at that, it is obvious that it is a real-terms increase. A number of people who have sent in briefings for this debate and who have commented on the spending review have echoed the view that I have just outlined. It is a self-evident fact that it is a real-terms increase, however much Opposition Members prefer to say that it is not. The facts do not bear out that criticism.

Derek Twigg: What about social care?

Mr Burns: The shadow Minister must be patient; I will come to social care.

The Department's capital budget will be sufficient to ensure that key schemes that have already been agreed are continued and that the NHS estate is properly maintained. The NHS capital budget will pay for, among other things, publicly funded projects at North Cumbria University Hospitals NHS Trust, Pennine Acute Hospitals NHS Trust, and Epsom and St Helier University Hospitals NHS Trust.

Notwithstanding the real-terms increase in funding, we always knew that the NHS was facing challenging times. That is self-evident and we have never sought to hide behind it; everyone recognises it. As a number of hon. Members said, that challenge is due to an ageing population, expensive treatments, and health care and social care costs rising substantially every year. That is why the NHS and social care need to do more with their resources and make every penny count. In health, we are asking the NHS to secure, as a number of hon. Members said, up to £20 billion of efficiency savings over the next four years through the QIPP—quality, innovation, productivity and prevention—programme.

In addition, every penny of those savings will be reinvested in front-line services, enabling us to meet the costs of increased demand for care. The savings will come from cutting administration costs across the system by a third, as well as from other efficiencies throughout the NHS. Frequently, better care can save money. It is cheaper, as well as better for people, to get the right care first time, rather than the inappropriate or insufficiently relevant care that is involved when people have to go back to be provided with extra care—an expensive way to provide care and not an experience that patients should have.

Rosie Cooper: I appreciate what the Minister is saying, but does he not agree that radical change to or redesign of a system often requires investment to get those costs out at the end? We are hearing about lots of cost cutting, but there are no obvious signs of a process or pathway where investment is taking place to get those gains out.

Mr Burns: In the overall run of things, the hon. Lady makes a genuine point, but most of the cost cutting that I heard about during the speeches involved accusations of services being cut without the reasons for the status of what are, in many cases, reconfigurations being gone into. Also, until conclusions have been reached, there is no guarantee that those reconfigurations will happen. They might do so, but there is no automatic guarantee that, just because there is to be a reconfiguration, the end product will be what was first proposed.

Furthermore, I heard very little comment—indeed, I do not think that anyone passed comment, although I apologise if someone did—on the QIPP programme, which is so important and vital for raising standards, using innovation to improve quality of care and delivery. In that, we have examples across the country of the NHS finding changes that can make a big difference.

For example, Southend Hospital NHS Trust is saving £160,000 a year by mapping postcodes—patients who live near each other can be picked up together for their dialysis appointments. Oxford Radcliffe Hospitals NHS Trust is saving £1 million a year by implementing an electronic blood transfusion system, which cuts the staff time taken to deliver blood and reduces transfusion errors, thereby improving services for patients. Ten NHS trusts have been piloting a new pathway to improve care for patients, mainly elderly people who have suffered a fractured neck of femur. If that were rolled out across the country, it could save £75 million a year.

Those are just small examples of things that can be done where savings are made, the quality and appropriateness of care improve, and money can be ploughed back into front-line services, which is so important.

While we are talking about resources, I shall answer the important question asked by the right hon. Member for Holborn and St Pancras (Frank Dobson). He specifically mentioned Great Ormond Street hospital, but this applies across all the specialist children's hospitals. The Department is having ongoing discussions with Great Ormond Street and the other relevant hospitals in England about potential—I emphasise "potential"—changes to the tariff for specialist children's hospitals for 2011-12.

I can tell the right hon. Gentleman that no decisions have yet been taken and the discussions are continuing. On his specific question about how much less money is going to be given, there is no answer at the moment, because no decisions have been taken. The discussions will continue. I hope, for the time being, that he is reassured by that answer.

Frank Dobson: Can the Minister confirm that Great Ormond Street hospital was asked to do without £16 million during the course of those wondrous negotiations he is talking about?

Mr Burns: No, but I will confirm that discussions with the hospital are ongoing and, flowing from that, decisions will be reached in due course. At this point it would be inappropriate for me to interfere by giving any confirmation or denials of anything, because the situation does not arise in that context. Discussions are going on, and no decisions have been made. We will have to see once the discussions are concluded.

Frank Dobson: Will the Minister give way?

Mr Burns: I cannot see how much more I can say, because my answer seemed fairly conclusive.

Derek Twigg *rose—*

Mr Burns: Does the hon. Gentleman want to intervene about social care, which I want to move on to?

Derek Twigg: No, it is on the specific point that has just been made.

Mr Burns: I can say nothing further than what I said to the right hon. Member for Holborn and St Pancras, so I shall make progress. There is nothing further to say—I have answered the question. *[Interruption.]*

Mr Roger Gale (in the Chair): Order. We cannot have such discussions going on across the Chamber. Either the Minister will give way or he will not.

Mr Burns: I will not give way because there is little more that I can add to what I have already said on the subject.

Frank Dobson *rose—*

Mr Burns: I shall make progress, because I have made the situation plain.

Frank Dobson *rose—*

Mr Roger Gale (in the Chair): Order. The Minister has made it plain that he is not giving way.

Frank Dobson: On a point of order, Mr Gale, the Minister might be inadvertently misleading those present here today, on the basis of information available to me.

Mr Roger Gale (in the Chair): That is not a point of order for the Chair, Mr Dobson.

Mr Burns: All I can tell the right hon. Gentleman is the situation as it is known to me: no decisions have been made and discussions are continuing. In due course, decisions will be reached, but as of now none has been made and the discussions continue.

Frank Dobson: Will the Minister give way?

Mr Burns: I honestly do not see what more I can say—my answer seems fairly conclusive, so I will make progress. If the right hon. Gentleman wants to have a quick word with me afterwards, I am more than happy to do so.

Moving on to social care, which a number of hon. Members and the shadow Minister have mentioned—

Frank Dobson: On a point of order, Mr Gale—as I understand it, the Department of Health has been briefing that it wants to take away only £4 million from Great Ormond Street.

Mr Roger Gale (in the Chair): Order. That is not a point of order for the Chair. The right hon. Gentleman has been in the House long enough to know that.

Mr Burns: On the issue of social care, it is accepted by all parties that we need to be more efficient. There have been historic problems in the funding of social care and we found that, given the mounting pressures and the economic situation when we came to power, there was a serious problem that needed to be addressed so as to provide support in the forthcoming year and thereafter for some of the most frail and vulnerable members of society.

We believe, as I am sure the hon. Member for Halton does, that re-ablement services can restore someone's independence. They have a crucial role to play, where appropriate. Around half of those who go through re-ablement require no immediate care package afterwards. The NHS is investing £70 million this year, £150 million in 2011-12 and £300 million a year for the rest of this Parliament in better re-ablement services. That will have a significant impact on improving the lives of many people.

Telecare, too, can help keep people safe and feeling more confident in their own homes, reducing their reliance on formal home care services. These are not isolated cases. There are similar remarkable stories across the country.

Re-ablement can make a real difference, provided that the authorities act seamlessly and quickly to ensure the equipment and anything else needed to assist someone to return home, avoiding a stay in a hospital, care home or any other non-domestic environment.

Derek Twigg: We will pursue the issue about specialist children's hospitals, but I will now concentrate on the issue of the £1 billion that the NHS has set aside for, or put into, social care. No one argues that putting more money into social care is not a good thing, but we want to ensure that there is no double counting. The Minister confirms that £1 billion has been set aside, but will some of that money, or all of it, be used to fund the social care side of those services provided by local authorities?

Mr Burns: If I may, I shall start on that point in my own way, as I want to give the setting for the whole social care thing. I know that the hon. Gentleman and the right hon. Member for Wentworth and Dearne (John Healey) have shown considerable interest in the matter.

The shadow Minister accepts that the NHS does not stand alone. It is only one part of this country's care system; another essential service is social care, which helps hundreds of thousands of people to live as independently as possible. As I said earlier, when the Government were elected, we found a huge hole in funding for social care. That affects some of the most frail and vulnerable, and we believe that it is imperative to do something immediately to make up some of the shortfall. As the shadow Minister will know, the Department of Health has always funded social care—not all of it, but part of it—and local authorities have funded the other part. In some areas, there is a means test under the National Assistance Act 1948, so there are possibly three funding streams. I hope that I carry the shadow Minister with me.

To redress the funding gap in social care, the NHS will transfer up to £1 billion from the health capital budget to the health revenue budget by 2014-15. That will be spent by the health service on measures that support social care as well as health. That will include a specific allocation for re-ablement services to help people regain confidence and independence following discharge from hospital. We believe that this will help hundreds of thousands of people to live as independently as possible. To the person who uses both services, it makes no sense that health and care should be separate. I hope that I have given the shadow Minister sufficient explanation.

Derek Twigg *rose—*

Mr Burns: If I carry on for another minute, the hon. Gentleman may not need to intervene.

As well as the extra £1 billion that the Department of Health is making available for NHS social care, additional grant funding—again, rising to £1 billion by 2014-15—will be made available for social care through the revenue support grant. By 2014-15, the total additional funding

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for social care will amount to £2 billion, half from the NHS and half in grant funding. That will be allocated in addition to the Department's existing social care grants, which will rise in line with inflation. In total, therefore, grant funding from the Department of Health for social care will reach £2.4 billion by 2014-15. I hope that that explains the situation for the shadow Minister.

Derek Twigg: I want to be clear about it, so I put the question again. How much of the £1 billion that is being taken from the NHS budget will be spent on services that council and local authority social services provide?

Mr Burns: The £1 billion will come from the NHS capital fund and be transferred to the NHS resources fund. It will then be spent by the NHS on re-ablement and other sorts of help and care for which the NHS is responsible. The NHS is responsible for the social care element of the assistance required by those in need. *[Interruption.]* So that the shadow Minister understands, on top of that, £1 billion will be coming from local government through the RSG.

Derek Twigg: It is in here.

Mr Burns: The shadow Minister says that it is in the document, as if it has suddenly occurred to him, but I am going through it slowly so that he gets it. Some of the letters that we have received are not quite right.

Grahame M. Morris: It is an important point, and an issue that the Select Committee has considered. Evidence presented to the Committee shows that, over the lifetime of this Parliament and beyond, the gap between funding and demand will grow. There will be an ongoing problem of underfunding in social care. I would not like the Minister to give the impression that this demographic time bomb can be resolved by this single measure.

Mr Burns: The hon. Gentleman is right. I do not claim that the demographic time bomb will be resolved by this measure. The trouble with personal social care is an historic one: Governments have always been playing catch-up. That is beyond dispute. I am saying that we recognised the growing pressures, and we believed that we had to act. That is why we have done so. It will reduce the problem, but the hon. Gentleman is right that it will not solve it, as more work has to be done. No doubt, it will be done, as we catch up with the past. I hope that I have reassured the hon. Gentleman. I now wish to make progress.

We believe that funding social care is important not only in its own right but for the sake of the hundreds of thousands of people who rely on it—and because the NHS cannot function without social care. Without it, people have to stay in hospital beds for longer, inappropriately blocking beds that other patients could use. It is important that we invest the money to ensure that there are no delayed discharges, and that we can provide an appropriate setting for those who are discharged.

Rosie Cooper: I thank the Minister for giving way. I am trying to be helpful. My hon. Friend the Member for Easington (Grahame M. Morris) is right. The Select Committee suggested that there was a £3 billion or £3.5 billion gap. Evidence to the Committee clearly showed that local authorities believed that if they invested a pound, the saving and the benefit was likely to be seen in the health service through exactly what the Minister mentioned—beds not being blocked and so on. This might help my hon. Friend the Member for Halton (Derek Twigg), the shadow Minister; I suggested in Committee that the element of funding that lies currently with local authorities should be transferred to the NHS. We would not then have such a gap. The local authorities resisted, but the core of the problem that both Front Benches are outlining is that the £1 billion that the councils have is not ring-fenced and will be spent on whatever provisions are desperately needed. The money that the Minister says is for the NHS will be spent only on NHS re-ablement and other stuff that is absolutely within the NHS, but the local authorities do not believe that. They think that it will be dropped on their toes at any minute, and that they can spend it.

Mr Burns: I fully understand the issue that the hon. Lady raised about whether we merge the NHS part of social care in local government into the NHS, or vice versa. That has been an ongoing debate for many years. The hon. Lady may find it difficult to believe, but 13 years ago I was the Minister with responsibility for social care. The argument was raging then. I have no doubt that it will continue to rage for some time to come. I, too, have heard the worries that the money that comes through the RSG will not be spent on social care. From the discussions that the NHS has had with local authorities, I have been led to believe that that will not be such a problem. Given that there is a problem with social care and a need to provide support, there will be a determination and a positive attitude to ensure that the money is appropriately spent on what it is designed for and that it will, with the money from the NHS, make a significant difference to a very serious and sensitive problem that we, as a society, have to address.

In conclusion, the spending review is the necessary consequence of this Government's facing up to the financial responsibilities and problems that we inherited when we came to power. If we are to secure a future of growth, prosperity and jobs and if we are to fulfil our commitment to increase funding for the NHS in real terms for every year of this Parliament, then we must place our public finances on a stable, sustainable footing.

We will not ask the sick, the disabled or the elderly to pay the price of the previous Government's economic mismanagement. We are increasing the health budget in real terms and reforming the service, not only to make the most of every penny but to put power in the hands of those who know best how to improve services. I am talking not about the Ministers and civil servants in Whitehall but about the NHS staff and patients on the ground.

Mr Roger Gale (in the Chair): Mr Morris has indicated that he wishes to make a few closing remarks with the consent of the Members present. I am perfectly prepared to facilitate that, but the hon. Gentleman must understand that these are closing remarks, and that he is not actually responding to the entire debate all over again.

5.12 pm

Grahame M. Morris: With the leave of this Chamber, I thank you, Mr Gale, for your courtesy and stewardship of this debate. I thank my hon. Friend the Member for Halton (Derek Twigg) and the Minster for responding,

and the Backbench Business Committee for giving us the opportunity to hold this debate and to scrutinise the impact of the comprehensive spending review on the Department of Health. Within the context of the CSR, Members present have highlighted concerns about the cost pressures on the NHS arising from the huge organisational change, hidden costs of VAT increases, drug inflation and cuts in local government and welfare budgets. Indeed, many questions have been raised that may be the subject of future debate in Westminster Hall or in the Chamber.

Members on the Labour Benches call on the coalition Government to honour their pre-election pledges to safeguard the NHS and enable it maintain a comprehensive service that is free at the point of need. I make this pledge. We on the Labour Benches will hold the Government and Ministers to account for their stewardship of the NHS.

Finally, I thank all of the Members who are here today. More than a dozen have participated, which is too many to mention by name.

Question put and agreed to.

5.13 pm

Sitting adjourned.

Westminster Hall

Tuesday 16 November 2010

[MR GRAHAM BRADY *in the Chair*]

Policing (West Midlands)

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Dunne.)*

9.30 am

Mr Jim Cunningham (Coventry South) (Lab): It is a pleasure to serve under your chairmanship, Mr Brady. You and I have known each other for many years, and at one stage we had offices not far from each other.

There is concern in the west midlands and in its seven districts, but people should realise that that is against a background of economic difficulties that started with Lehman Brothers in America, and that should always be borne in mind when casting aspersions. At present, even with the situation that the Government inherited, we still have our triple A credit rating throughout the international monetary system, which tells us that although there were financial difficulties they were not on the scale that the present Government portray. Some of the measures that the Government have recently taken are unnecessary to deal with a situation that we had planned to deal with over the next four or five years. It is not generally realised that we had about 14 years to pay off our debts. It should also be borne in mind that when Labour came to power in 1997, 50p in every pound was spent on paying off the national debt. That tends to be forgotten; we had a two-year pause. However, the purpose of this debate is very much to discuss the impact in terms of police cuts in the west midlands.

The west midlands is a vital area for the British economy. This Government have taken a series of measures that have affected the region, where one in 10 people is unemployed. We have had cuts in education, and we have only to look around the seven districts to see what has happened as a result of the cuts in education capital programmes and in universities. Against that background, when trying to understand where the Government are taking the country, one is sometimes puzzled.

For the purposes of today's debate, we should bear in mind that figures released in July this year show current police officer numbers at 143,734, which is nearly 17,000 more than in 1997; the Labour Government also introduced 16,000 police community support officers. Our manifesto guaranteed central funding to maintain those record police numbers. However, in a statement delivered by the present Chancellor, it was announced that central Government police funding will be reduced by 20% in real terms by 2014-15, which will have a direct impact on policing on local streets.

Mr David Winnick (Walsall North) (Lab): It is of interest that Chris Sims, the chief constable of West Midlands police, has stated that, for his force,

"20 per cent equates to over £100m."

When asked about job losses, he said:

"As more than 80 per cent of our budget goes on staffing costs it is inevitable that we will lose jobs. The funding cuts will be phased over four years, with a disproportionate impact on years one and two."

Clearly, the west midlands, including my borough of Walsall, will suffer a lot as a result of what the Government have stated.

Mr Cunningham: My hon. Friend is spot on, and I shall probably come to that point later.

A July 2010 report by Her Majesty's inspectorate of constabulary stated:

"A cut beyond 12% would almost certainly reduce police availability".

There is concern about the future of specialist police units, such as those for domestic crime and child abuse, which are no longer considered front line by the coalition Government. If we look at the regional impact, West Midlands police will be unfairly and disproportionately hit by the 20% cut to its police budget, due to its higher reliance on central funding: 83% of its funding comes from central Government, whereas only 17% is generated from council tax. Those cuts go way beyond what can be achieved through efficiency savings and better procurement. Some predict that West Midlands police could lose more than 1,200 officers and a similar number of police staff over four years. In real terms, it is expected that 400 police officers and 400 police staff will lose their jobs by March. In comparison, leafy Surrey, which has a lower crime rate, will get a better deal.

Richard Burden (Birmingham, Northfield) (Lab): My hon. Friend has made a really good point. It is very likely that Ministers will say, "Well, west midlands is getting exactly the same impact as everywhere else," but he has made it clear that that is not the case. In reality, the impact on police officers, police civilian staff and services will be disproportionate. One thing we will be looking for from Ministers today is that they address the actual cuts that will take place in the west midlands, not just the notional ones.

Mr Cunningham: My hon. Friend makes a very interesting point. Anyone who works in local government, as I have, can tell us, as can experience, that an arbitrary cut across the board can be very punitive and disproportionate. What we have here is a punitive and disproportionate measure, because like is not being compared with like. That is one of the major problems with the proposals.

In the west midlands city of Coventry, as many as 40 police officer jobs will be lost over the next four years. These are only rough figures, and I am sure that they can be changed and contradicted, but we have the resources only to make some rough guesses about what is likely to happen. A combined total of about 29 police officers and staff could lose their jobs in each west midlands constituency before March, according to the chief constable, Chris Sims. If we look at the figures for police officers in Coventry, in 1997 there were 628; today, there are 843. That shows that the previous Government certainly tackled some of the crime problems in Coventry.

Let me take hon. Members back to 1997 and the years prior to that, which I certainly remember. I am sure that my right hon. Friend the Member for Coventry

[Mr Jim Cunningham]

North East (Mr Ainsworth) will substantiate what I say next. During the Thatcher years, we had a problem in Coventry with youths terrifying neighbourhoods. My right hon. Friend experienced that in his constituency, and I am sure that he will recall that we had a number of meetings with the then Home Office Minister Lord Ferrers and my right hon. Friend the Member for Blackburn (Mr Straw), who eventually became Home Secretary, on issues such as witness protection. In those days, in line with the record of the previous Conservative Government, people were left to their own devices. I remember visiting some flats in Stoke Aldermoor, which was in my constituency at the time, and seeing that old people there had steel doors for protection. We did not have an adequate witness protection scheme at that time; as a consequence, old people, or anyone, giving evidence had to face the person they had accused in the anteroom before they went into court. They were terrified. If they did give evidence but the culprit got away with it, they got a second visit. That gives us a rough idea of what things were like before 1997, and we should not forget that.

My right hon. Friend the Member for Coventry North East will also remember that we heavily lobbied Ministers to bring in antisocial behaviour orders, which everyone—certainly everyone on the Government Benches—describes as discredited now. At the time, however, they came as a welcome relief to those families and neighbourhoods, and I am sure that my right hon. Friend will confirm that.

Mr Bob Ainsworth (Coventry North East) (Lab): My hon. Friend is absolutely right to recall that the entire antisocial behaviour agenda was led in large part from Coventry, as a result of some of the very serious problems that we had on one or two council estates. People were systematically intimidating others and believing that "on their manor" they could do what they liked. The ASBO agenda was all about breaking the power of those local thugs to impose themselves on the neighbourhood in which they lived.

Mr Cunningham: I thank my right hon. Friend for substantiating my argument.

Another measure introduced locally in Coventry was area co-ordination, which, for example, allowed the council to appoint wardens, who in turn got involved in local communities, won their confidence and gave them the confidence to go to the police if there were serious problems. Right hon. and hon. Members may remember that, at that time, a lot of members of the public were reluctant to talk to the police because they were intimidated and knew exactly what would happen to them.

It is worthwhile mentioning such things to encapsulate what happened before the Labour Government got anywhere. These days it is easy to rubbish everything that we did, but, on the contrary, we did a heck of a lot to make life easier for people in some neighbourhoods.

James Morris (Halesowen and Rowley Regis) (Con): Does the hon. Gentleman agree that, despite the challenges to do with resources, effective policing is not necessarily a function of absolute police numbers? The police—even West Midlands Police Federation—would accept that. It is important that we build on inter-agency working, because a lot of problems in the west midlands, including antisocial behaviour, are related to health inequalities and deprivation. We need to ensure that the police in the west midlands continue to work effectively in partnership, because the nature of policing in the west midlands is changing to deal with some of the underlying problems we face.

Mr Cunningham: The hon. Gentleman makes an interesting point, but I do not see how cutting police numbers makes their working with agencies more effective. The hon. Gentleman will have to work that one out for himself.

Mr Ainsworth: The hon. Member for Halesowen and Rowley Regis (James Morris) makes the same claim as the Home Secretary—that, in some way, there will be no impact on the street as a result of the cuts. It is nonsense to say that we will be able to get police out of the back office and on to the streets and that we will be able to cut the number of police by as much as is proposed for the west midlands without there being an impact on our neighbourhoods. That is ridiculous—it is nonsense. Surely my hon. Friend agrees.

Mr Cunningham: It has to be. That is why— *[Interruption.]*

James Morris: Will the hon. Gentleman give way?

Mr Cunningham: Hold on. Calm down.

That is why I deliberately described the situation prior to 1997, to illustrate what can happen when cuts of such magnitude are imposed.

Mr Winnick *rose—*

Mr Cunningham: I will give way to the hon. Gentleman and then to my hon. Friend.

James Morris: Chris Sims is a sensible and intelligent police officer. He has reiterated that, despite his resourcing challenges, it is perfectly possible for him to deliver the same levels of neighbourhood policing, even in the challenging situation that he faces. Even the West Midlands Police Federation has said that it thinks there can be better allocation of police resources to maintain levels of neighbourhood policing.

Mr Cunningham: I have known a number of chiefs of police in the west midlands over the years and they will all tell the same story. It depends on what Government they are dealing with.

Mr Winnick: Would not it help the case for policing in the west midlands if Conservative Members joined us, instead of just echoing Government policy? From time to time when my party's Government was in office I criticised them when I considered it appropriate, as did other hon. Friends. New Conservative Members may take that lesson on board if they wish.

My constituents complain that there are not sufficient police officers. In certain places in my constituency, which is not unique by any means in terms of antisocial behaviour, residents want to see a physical police presence.

The cuts that are coming will make that situation even worse. It is regrettable that West Midlands police will be so adversely affected as a result of Government policy.

Mr Cunningham: Not only that, but areas that are used to seeing a high police profile, including some more affluent areas, will now be badly affected by the measures. People in those areas will experience what people in the deprived areas that my hon. Friend is talking about have experienced. We accept that some of the newer Government Members are enthusiastic, but those of us with the benefit of experience know that, once they have seen the policies unfold and seen the impact at the sharp edge, they will really squirm.

Richard Burden: I should like to return to the point made by the hon. Member for Halesowen and Rowley Regis, because it is important that we are all sensitive to the position of a chief constable. A chief constable cannot get involved in political debates. It would be wrong of the chief constable for the west midlands to do so. He will inevitably do everything that he humanly can to safeguard services, because he is an excellent chief constable—there is no doubt about that. But the mathematics are clear. The reorganisation—the chief constable's undertaking Paragon—was founded on a solid number of neighbourhood police officers, backed up by police community support officers, with specialist teams at force level dealing with issues such as child abuse and domestic violence. If a chunk is taken out of that, something will have to give, whether that is the front line, or specialist work, or a police officer turning up at the community meetings held in all our constituencies and making the difference between their being successful and less successful. Unless all parties recognise that, we will be doing our constituents a disservice.

Mr Cunningham: My hon. Friend is right. I could not put it any better. We have always to remember that a chief constable is a professional person and that, as far as his job goes, he has no political opinions. If he is a good professional, he will make do with what he has, which is often not adequate, to say the least, and it will be less adequate as a result of the new measures.

It is not generally appreciated that Warwickshire police force often relies on West Midlands police to come to its assistance when needed. For example, the West Midlands police anti-terrorism squad will be involved from time to time in dealing with potential terrorist activities in Warwickshire. So Warwickshire has not escaped; the cuts will have an impact on the police force there. It is not my job to put the case for Warwickshire police, but it is my job to point out the impact on that police force as well. The results of the cuts will not be confined to the west midlands; they will flow across the borders.

The coalition has not chosen to prioritise the police. Since 1997, Labour added 1,423 police officers to the west midlands force, but that increase will be all but obliterated by the predicted cut of 1,200 officers over the next four years. The House of Commons Library—nobody would dispute these figures, would they?—estimates that crime in the west midlands has fallen by 35% between 1997-98 and 2008-09. Once again, the burden of the cuts will fall on those families who rely on these services the most—inner-city families. Anybody who lives in the inner cities knows that.

I hope that the Minister will answer the following questions. How will he explain the regional unfairness of the cuts to inner-city families in our constituencies, who see low-crime areas such as Surrey get a better deal? How will he assure the most vulnerable in our society—victims of child abuse and domestic violence—that they will continue to be prioritised when they are no longer considered front-line cases? Will he acknowledge the direct correlation between Labour's investment in police officer numbers since 1997 and the 35% reduction in west midlands crime? How does he intend to ensure public confidence in the police service, while jeopardising their basic safety and security?

Consumer Focus research has shown that rank and file police officers cannot do their job as well without good community relations or the active support and co-operation of the public. Has the Minister considered the implications of fewer officers on neighbourhood watch groups, and the work of PCSOs? Has the Minister considered efficiency savings in the day-to-day operations of the police force before axing jobs? How can our police officers be expected to continue to protect and serve people in the west midlands to the same standard, when they have the burden of even more paperwork as a result of having fewer office staff?

That is as much as I can say at the moment, because my hon. Friends want to contribute to this debate. It was remiss of me not to declare an interest at the start of the debate, Mr Brady. Sorry about that.

Several hon. Members *rose—*

Mr Graham Brady (in the Chair): Order. Four or five Back-Bench Members want to contribute and we have about 50 minutes. If everybody is reasonably brief, we should get everybody in.

9.49 am

Jack Dromey (Birmingham, Erdington) (Lab): I am proud to represent Erdington. It is a community that is rich in people, even if it one of the 10 poorest in Britain. It includes the great communities of Kingstanding, Tyburn, Castle Vale, Pype Hayes, Stockland Green—including Slade road—and Erdington itself. The area has seen huge investment under a Labour Government with more police officers on the beat being supported by more police community support officers in the streets of Erdington. It is a community that, like the rest of the west midlands, has seen a 35% fall in recorded crime. Over the past 15 years, it has seen an immensely welcome development—community policing. I remember attending the Castle Vale tasking group and seeing excellent engagement between the police service and the local community on how they would deal with problems together, including that of antisocial behaviour.

However, if the community is safer, there are serious residual problems. The police are a friend of Erdington, but they are also firm on crime and antisocial behaviour. Earlier this year, there was an upsurge in crime in Stockland Green. I met with the chief superintendent, the admirable Jim Andronov. He deployed an immense effort, including the use of intelligence, and as a consequence a number of charges were brought. Although there are still problems, it was a model of the police responding to the concerns of the community.

Mike Crockart (Edinburgh West) (LD): The hon. Gentleman makes an important point. That was intelligence-led policing; it was not about flooding the area with a large number of police. Labour Members are making a direct correlation between numbers of police and falling crime, but the two do not necessarily match up. Many countries have larger police numbers but higher rates of crime. It is more important to use the number of police officers efficiently. The hon. Gentleman mentioned the situation in 1997. In 1997, I was a serving police officer in Lothian and Borders police, so I come with a certain amount of experience. The level of patronising talk directed at new Members by those in the Labour party who say that we are just parroting phrases that we are given is poor.

Jack Dromey: With the greatest of respect, the hon. Gentleman may once have been a police officer, but he is clearly not in contact with the modern police service. Locally, the police told me that they had the time and resources, including front-line officers backed by support and intelligence, to tackle quickly and effectively a problem that was giving rise to serious concern in the Stockland Green area. Precisely because the community welcomed such an initiative by the police, real anger is now being expressed about what is happening.

Mr Jim Cunningham: On the point raised by the hon. Member for Edinburgh West (Mike Crockart), I do not think we are being patronising; we are passing on experience. More importantly, the hon. Gentleman may have been a serving police officer, but he was not the chief constable. The chief constable has the total overview and knows the picture. It is easy for someone lower down the ranks to have a perception about something.

Jack Dromey: I am guided by what serving police officers tell me about their concerns, including what they predict will happen over the next stages. I will come to that in a moment.

There is real anger because of a 20% cut to the police service and the consequences of that cut. Is it true that 2,500 jobs will go in the West Midlands police service over the next four years? Is it true that 1,200 police officers will go? Is it true that there will be 40 fewer police officers in each of the 10 constituencies in Birmingham? Are numbers of police community support officers already being cut back? An excellent PCSO came up to me on Saturday in Erdington high street and said, "Jack, there used to be six of us. Are they now going to cut it down to three?" Will the Minister confirm those facts? They are undeniable truths.

James Morris: Is it not also an undeniable truth that even if there had been a Labour Government, there would still have been 20% cuts in policing? Will the hon. Gentleman enlighten us as to how he would have gone about implementing the cuts that would have been introduced anyway?

Jack Dromey: I will come to the contrast between the pledges made at the general election in a moment—they are revealing. During the general election, the Liberal Democrats said that there would be 3,000 more police officers. They did not add, "On the dole." The Conservative party said that there would be less paperwork. The reality is that if numbers of police officers and PCSOs are reduced, they will have less time on the beat and less of the support they need to do their job, and therefore more time will be spent doing paperwork. That in turn will lead to less detection, as I am sure the hon. Member for Edinburgh West (Mike Crockart) knows from his own experience. It will affect the work that goes on in the back room by way of intelligence gathering and sifting. There will certainly be more paperwork, including more P45s for police officers and PCSOs.

The impact on the west midlands, as highlighted by my hon. Friends, will be disproportionately harsh. Whereas 51% of Surrey's police service comes from the central Government grant, the figure for the midlands is 83%. Will the Minister acknowledge that there is a major problem for the midlands, and that the consequences of a 20% cut across the board nationwide will hit the midlands disproportionately hard?

I am proud of my local association with the police service, and I know that it will do its best. Chris Sims is an admirable chief constable. However, serving officers and PCSOs have said to me in no uncertain terms that simple realities will flow from what the Government are proposing. That is not least because, as one police officer said to me, history tells us that the combination of soaring unemployment—it is estimated that up to 400,000 people will lose their jobs in the midlands—and falling police numbers will lead to more crime, less-safe communities and criminals who are more likely to get away with it.

In conclusion, the first duty of any Government is the safety and security of our people and our communities. It is absolutely wrong for the Government to put at risk the safety of the people of Erdington. There is real fear about what will flow from the cuts unless the Government change course. Will the Minister be prepared to change course?

9.58 am

Mr Bob Ainsworth (Coventry North East) (Lab): I will be as brief as I can because some of the points that I wanted to make have been raised. However, I would like to reiterate one or two of them. As my hon. Friend the Member for Birmingham, Erdington (Jack Dromey) has just pointed out, the way that the cuts are being brought in is disproportionate. I asked the Home Secretary about the underlying reason for that, and I got no answer whatsoever, despite the fact that she claimed that she had prior notice of my question. Why are the high-crime areas being disproportionately hit in comparison with low-crime areas? The Minister knows that to be the case because of the proportion of policing that is paid for by grant. The cuts have been structured in such a way that the high-crime areas—including the west midlands, which has bigger problems although it is not the only such area—are being disproportionally hit by the way that the Government are making the cuts. I thought that we were all in this together. Why are people not being affected in proportion to the size of the problem that they experience?

It is disingenuous to say that there will be no cuts in the front-line service as a result of the measures being taken. There is no perfect organisation, but the West Midlands police service is recognised as one of the more efficient in the country. We are being borne down on all the time in terms of efficiency and pushing harder and

further to get more police on the front line. That needs to continue under any regime, but I want to challenge Conservative Members. They will find over time that of all the organisations that they deal with as Members of Parliament, the police—more than any other organisation, in my experience—are under-resourced in terms of clerical support and back-up. When we write a letter to a police officer, we wind up with front-line officers having to respond to us because they do not have the back-office staff to anything like the extent to which some other organisations have them. Therefore, the cuts in back-office staff being planned in the west midlands—my hon. Friend the Member for Birmingham, Erdington referred to a figure of more than 1,000—will drag police officers off the streets and into doing those jobs to an even greater extent than is the case now.

I also want to point out some of the difficulties that will be experienced in implementing the measures. We cannot make police officers redundant. Therefore, we shall probably have to enforce regulation A19 of the Police Pensions Regulations 1987 and discontinue police officers' service at 30 years, thereby losing disproportionately extremely experienced police officers whom we can ill afford to lose. Does the Minister believe that the West Midlands police service will be able to cope with that without doing what I think the chief constable will have to do, which is freeze recruitment to that police service? I think that that is being planned and that that freeze will continue for the next four years, leaving a gap in policing that will move slowly through the force, giving it problems for a generation, never mind the next couple of years.

I want to make a point off the back of what my hon. Friend the Member for Coventry South (Mr Cunningham) said. This issue does not affect only the west midlands, although the west midlands will really be in difficulty because of the proposed cuts. I do not know whether hon. Members are aware that a month or two ago Warwickshire police authority, fearful of how on earth the Warwickshire police force would cope with the agenda being imposed on it—it is one of the smallest police forces in the country—proposed an amalgamation with the Coventry police service. It did so because it simply did not see how the Warwickshire force would cope. It is not only big forces such as the West Midlands force, serving high-crime areas, that will have huge problems. Smaller police forces, carrying a disproportionate overhead because of their size, will wind up with the problems that have been described.

Mr Winnick: I am grateful to my right hon. Friend for giving way. I shall be going to the Select Committee on Home Affairs shortly, Mr Brady, which explains why I cannot stay for the winding-up speeches. Is it not the case that the only people who will get any satisfaction from what is going to happen in the west midlands will be criminals, who will hope, despite all the efforts of the police, that they will not be caught for committing various offences? They are the only people I can imagine who will get any satisfaction from what the Government intend to do.

Mr Ainsworth: Yes, I fear that that will be the case. Conservative Members say that there is no direct correlation between police numbers and crime. Yes, of course other issues impact on the police and we have to push the police for efficiencies, as we have to push every area of public service for efficiencies, but something that has a major impact on crime levels is the level of unemployment, and unemployment levels are about to go up considerably. We shall therefore see more people without work and fewer police officers to protect our communities. There is an inevitability about that, and this is where Chris Sims is caught. He wants to reassure the community that he represents. He is a good man, trying to do a job. He does not want to make people fearful, but frankly he does not know how he will cope with the levels of cuts that are being imposed on him and still be able to provide the level of service that he has been able to provide in recent years.

10.5 am

Steve McCabe (Birmingham, Selly Oak) (Lab): I congratulate my hon. Friend the Member for Coventry South (Mr Cunningham) on securing this important debate. I know perfectly well that the aim of the coalition—its ideological ambition—is to achieve a smaller state and that it has concluded that it can do that by cutting deeply into public services and blaming the previous Government for that reckless gamble. I understand that. The reality is that the people of the west midlands will deliver the final verdict on the coalition's plans, but my fear is that we may witness a law-and-order disaster and an explosion in crime before the electorate are afforded that opportunity.

I have been involved in policing matters since I first came to the House in 1997. I have always believed that it is the duty of Government to give the police the numbers and the resources to do their job. I am proud of the Labour Government's record in raising police numbers to record levels and in leaving office with crime lower than it was when we came in. Ours was the first Government to achieve that since the first world war. In addition, like everyone else here, I am proud that 16,000 police community support officers were put on the streets.

I do not know what happened to the review of the future of PCSOs that was to have been conducted by the former shadow Home Secretary, the right hon. Member for Epsom and Ewell (Chris Grayling). Some people may recall that it was announced with great fanfare at the Police Federation conference last year. I do not know whether it ever reached a conclusion.

Mr Jim Cunningham: If my hon. Friend wants to know what happened to the right hon. Gentleman, I can tell him that he was demoted.

Steve McCabe: Actually, I was referring to the right hon. Gentleman's proposal to review the future of PCSOs. I do not know whether that reached a conclusion, but the reality is that unless the west midlands force receives the grant necessary to sustain PCSOs, they will disappear from the streets of places such as Selly Oak. We shall suffer the folly of front-loaded cuts, as my hon. Friends have said. We shall see the destruction of a decade of improvements.

We are likely to see two effects on West Midlands police. The funding cuts will result in job losses for civilian staff. It will be called the reverse civilianisation policy. That means that the previous policy of recruiting civilians to perform crucial support but non-direct-policing tasks, thus freeing up police officers to fight crime, will

[Steve McCabe]

be put into reverse. As a result, civilian staff numbers will fall and officers will be taken off the streets to perform clerical and administrative duties—and that is from a Home Secretary who claims that there is too much bureaucracy and she wants crime fighters rather than form-fillers. People will ring up only to be told that no officer is available; they are all too busy manning the CCTV cameras, typing up reports and answering the phone.

As my hon. Friend the Member for Birmingham, Erdington (Jack Dromey) said, it will not stop there. As the budget tightens, the chief constable will be forced to pay off some of his older and most experienced officers in a desperate attempt to save money. The West Midlands force risks being reduced to the status of a reactive response unit. Some estimates suggest that we will lose as many as 40 officers per constituency in Birmingham.

Initiatives that are the cornerstone of community-based and partnership policing—the very thing that the hon. Member for Halesowen and Rowley Regis (James Morris) supports—will be the first to go. Youth programmes that are designed to attract young people to sporting activities, such as those that I have witnessed at Chinn Brook recreation ground, and to prevent them drifting into vandalism and mindless antisocial behaviour will be lost. Local innovations such as police reward cards, which the police have pioneered in the west midlands to engage young people at a level that they appreciate and understand, will go. Social programmes, through which officers have worked with schools such as Kings Heath boys' school and Highters Heath, Billesley and Hollywood primary schools, will be lost. Finally, as the force shrinks, crime will of course rise.

It is not too late for the Government to rethink their priorities. It is not too late for the coalition to wake up to the enormous gamble that it is about to take with law and order. It is not too late to recognise that having created an age of austerity, the last thing we should do is cut the police. There is still time to accept that the political gamble of police commissioners does not make sense when every spare penny should be used to keep police officers on our streets. Who else would pick this moment to blow £100 million on a reckless political gamble, when we should be trying to keep the force at a strength that will enable it to do its job?

The picture that I have painted is not inevitable, but it will be the inevitable outcome of the decisions that the coalition is taking: it will be the consequence of a Government who, by their choices, have demonstrated that they misunderstand policing. For the sake of our communities in the west midlands, I hope that the Minister will tell us that he is prepared to listen and to think again about the measures that are necessary to preserve high-quality policing in Birmingham and the west midlands.

10.12 am

Richard Burden (Birmingham, Northfield) (Lab): I will make three brief points before the winding-up speeches.

First, it is easy in debates in the main Chamber, and sometimes in Westminster Hall, to get into political knockabout, where the role of the Opposition is to attack and the role of the Government is to defend, but at the end of which, nothing comes out. It is fair to say that Opposition Members have made political points in this debate—that is unsurprising, given that we are politicians. However, a serious question has been put to the Minister and I do not want to get to the end of the debate without hearing an answer. This question is vital to the service that our constituents receive. Several of my hon. Friends have posed the question, but allow me to pose it again, Mr Brady.

The west midlands is a high-crime area and a deprived area. Because of the structure of police funding, it relies on Government grant to make ends meet to a greater extent than many other parts of the country. It receives £579 million a year from the Treasury. Although we agree with inter-agency working and that policing is about more than numbers, 20% cannot be taken out of the budget without having a serious effect on deprived communities in the west midlands. Does the Minister recognise that problem? Does he think that a 20% cut is the same for Surrey and the west midlands? If so, he needs to say that and the public need to hear him, because they know that it is different. If he recognises that there is a disproportionate effect and that the reality on the ground will be different in the west midlands, we need to know what the Government will do about that. It is not unknown that when budgets are restructured, one should consider using mechanisms such as floors and ceilings in local government spending to ensure that the effects are dampened in certain areas. Will the Government do anything to recognise the specific problems in the west midlands, or will they just say, "It's 20%, that's it. It's up to you to sort it out in your region"? We need to know the answer to those questions at the end of the debate and I hope that the Minister will give it.

My second point follows on from those of my hon. Friend the Member for Coventry South (Mr Cunningham). Actual crime gets to communities, but the fear of crime can sap their confidence and eat away at them. We all know the paradox that the higher one's fear of being a victim of crime, the more chance one stands of being a victim of crime. As I said earlier, we need to give the chief constable space to recognise the difficult position he is in and to do what he has to do. He will do everything he can to ensure that communities are not scared or worried by what is going on. He is doing everything he can to keep service levels up, but the fear of crime will rise.

One reason for the rise in the fear of crime will be visibility. A great thing about police community support officers is that the police are seen to be on the high streets and in communities talking to people. The hon. Member for Edinburgh West (Mike Crockart) spoke of the importance of intelligence-led policing, but where does the intelligence come from? The best intelligence often comes from informal, chance conversations, which tell the police that so-and-so lives in such a place and that they talk to someone else. That is an important reason to have visibility in service terms, but it also reassures local communities just to see the bobby or the PCSO on the beat.

The dilemma for the police, when faced with such cuts, is whether to maintain that visibility and reassurance or whether to ensure that they are available to respond to incidents that occur. That would probably be done by

car because that is the quickest way to get to incidents. That might be the realistic response, but the result would be the loss of local contact on the street and the reassurance that that brings. That worries me. Again, I ask the Minister whether I am right. If I am wrong, he should tell me, but if I am right, what will he do about the situation through the funding for West Midlands police?

My final point is about community engagement, which hon. Members from all parts of the Chamber have said is important. It is important in my area of Northfield, where there is a local strategic partnership. Such partnerships exist across Birmingham with greater or lesser degrees of success. One of the strong elements of our constituency strategic partnership is that we decided at the start that it would be chaired not by a local councillor or politician, as many are, but by the local senior police officer. There have been a number of chairs over the years, and their role has been incredibly positive. They have sometimes brought a reality check to the debate and to discussions on inter-agency working. My hon. Friend the Member for Birmingham, Erdington (Jack Dromey) has spoken about local tasking meetings, which have been important in his area. Such local engagement is important.

Although I know the police will do all they can to continue with local engagement, I fear that it will suffer in the face of the coming pressures. When it starts to suffer, we should remember that the cuts in policing do not exist in isolation; they exist at the same time as other agencies that are part of the inter-agency working that Government Members have mentioned also face cuts. For example, Birmingham city council has rightly been criticised over the issue of child protection and safeguarding. Big changes are happening in Birmingham as a result—whether fast or effective enough is another matter. The pressures on the local authority to act are real.

Some of what is being done makes sense. Procedures are being built on procedures, to ensure that some of the real tragedies we have seen in Birmingham do not happen again. However, my worry about that—the relevance to policing will be seen in a minute—is that, in the process, something will be lost when we are only focusing on the crisis: when we are just stopping crisis after crisis. With so much emphasis on putting in place procedures to stop the crises, we will start to lose the low-level stuff, the real preventive stuff.

Steve McCabe: I entirely agree with my hon. Friend about the dangers for child protection work. Is it not also the case that Birmingham has a low-funded youth service, one of the poorest in the country? Exactly his argument about engagement and child protection and safety is our argument for engaging young people and diverting them from crime.

Richard Burden: My hon. Friend makes a good point. Such issues interrelate. If we have the children's services department chasing and trying to prevent the crises—rightly, in many ways—we lose the low-level stuff. If, simultaneously, we are cutting back on the youth service, we will be causing problems. If the local police are under pressure as well, the inter-agency work that all those agencies want to do will start to suffer.

Ultimately, what will suffer is not this or that committee or tasking meeting and whether or not it happens, but the reality of service to our constituents and the people we represent. If we are to do something about that, if we expect Birmingham city council, the police service and others to respond properly, they must be given the chance. I conclude where I started: if they are to be given the chance, we must recognise the specifics of the problems. It does not mean denying the fact that economies must be made, or arguing that somehow, the problems the country faces will just go away; but it does mean recognising that areas such as Birmingham, Coventry and other parts of the west midlands have specific and extreme problems. Those problems, such as getting the youth service properly staffed or the children's and police services working properly, are interrelated. The idea that, in the middle of that, taking 20% out of the Home Office grant of £579 million will not have a grave impact is simply a cloud cuckoo land idea.

I accept that, when the Minister responds, he will doubtless make his riposte to the political points and say, "The Labour Government did this, and we are going to do that." However, before he gets to the end of his speech, will he please answer this question: do the Government recognise that there will be a disproportionate effect on the west midlands, yes or no? If the answer is no, is he prepared to say that to the people we represent, as well as to those in the Chamber? If the answer is yes, what will he do about it?

10.23 am

Diana Johnson (Kingston upon Hull North) (Lab): I start by congratulating my hon. Friend the Member for Coventry South (Mr Cunningham) on securing the debate today and on setting out so clearly why it has been called. I also congratulate other right hon. and hon. Members from the area covered by the West Midlands force for clearly setting out their views and concerns. I also pay tribute to the hard work and dedication of all police officers and staff in all the police forces throughout the country, but in particular in the West Midlands police force.

I feel fortunate to be standing here, because my right hon. and hon. Friends have set out with great passion and determination the reasons why the proposed cuts, for the west midlands in particular, are unfair, wrong and need to be looked at again. My hon. Friend set out his long experience and knowledge of policing, and gave practical examples of what policing was like before 1997. He talked about the need for a proper witness protection scheme, which did not exist before 1997. He also set the scene of what has happened since the record investment in policing. We are all keen to hear the Minister's responses to the long list of proposals and questions clearly set out by my hon. Friend.

I was struck by the comments of a number of my right hon. and hon. Friends about the knock-on effect of the cuts for smaller police forces neighbouring the West Midlands force. Again, I hope that the Minister will be able to put our minds at rest in his response.

My hon. Friend the Member for Birmingham, Erdington (Jack Dromey) gave a clear example of what policing meant in his constituency, on the streets of Erdington and other areas, and of the anger felt about the proposed cuts. We look forward to the Minister's response to his

[Diana Johnson]

list of questions, too. Interestingly, my hon. Friend reminded us of the Liberal Democrats' promise in their May manifesto of 3,000 additional police officers. I had a quick look through the coalition agreement this morning; sadly, there is no sign of any additional police officers. I am therefore not sure what the Liberal Democrats are bringing to the table on policing. I understand that they certainly do not support police commissioners.

My right hon. Friend the Member for Coventry North East (Mr Ainsworth) clearly set out the disproportionate effect for the West Midlands police force of the cuts in funding and the discrepancy between what happens in his area and other areas of the country. He also spoke about the effect of losing the most experienced officers—those with 30 years' or more experience will go, which will present problems for the chief constable and senior officers. He also made an important point about back-office cuts and their direct effect on front-line policing in the west midlands.

My hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) set out his long interest in policing. He made clear his belief that, behind the cuts to the police service, is an ideological approach to a smaller state. He talked with passion about the youth projects and the local innovations in his constituency of which the police have been part and parcel.

My hon. Friend the Member for Birmingham, Northfield (Richard Burden) reminded us clearly, at the outset, of the professional role of the police officer and the need for the chief constable to behave in an obviously professional way. We need to be mindful of that. We expect the chief constable to work with the resources available, but it is clearly down to the politicians to make the case for why more resources need to be made available. My hon. Friend also set out the cases around funding and deprived communities in particular. He asked the Minister to respond to the particular problems faced by areas such as the west midlands and the disproportionate effect of the 20% cut. He also spoke about the problem of fear and the need to reassure the public, with the role of the police in community engagement and preventive work.

My hon. Friend the Member for Walsall North (Mr Winnick) reminded us that the majority of the police budget—80%—is spent on staffing, so this debate is about jobs.

Mr Jim Cunningham: One of the things that we should not lose sight of when we talk about staffing levels—leaving aside the office staff about whom we have all expressed concern—is that we also have people such as cleaners. They are sometimes from one-parent families. Their jobs could be on the line, just as much as anyone else's.

Diana Johnson: My hon. Friend makes an important point.

Turning to some general comments on the cuts, chief constables and police authorities in the 43 police forces around the country will be facing tough choices from this winter, following the announcement in the comprehensive spending review last month. It is quite clear from the 20% cut over four years that the Home Secretary has totally failed to stand up for policing in the Home Office budget. When compared with other public services and the money that has been provided for them, it is clear that the police are losing out disproportionately.

I believe that the coalition Government are taking huge risks with that approach. The cuts are too hard, too fast and reckless. The Opposition have made it clear that we would protect front-line policing, but it is clear that, under the approach taken by the coalition Government, it will be impossible for front-line policing to be protected with cuts at such a level. Safety on the streets should be a top priority for any responsible Government, and police funding should reflect that, as it did under the Labour Government. Proper support for our police is vital, which is why Labour believes that we need to keep every police officer we can equipped to do the job.

As we heard, crime fell by 43% under Labour, even through the strains of the recession, because of our three-pronged approach. One part of that approach was having more police, and I take issue with the hon. Member for Edinburgh West (Mike Crockart), who implied that this is not about numbers, because it clearly is. It is wrong to say that having fewer police officers on the street will somehow not have an impact on the levels of crime. The other parts of that three-pronged approach were having more powers to detect crime and antisocial behaviour and sending more criminals to prison. That was our approach, but I worry that the coalition is putting all three elements into reverse with its cuts.

Jack Dromey: We have all waited patiently for the hon. Member for Edinburgh West (Mike Crockart), who is a former police officer, to answer the point that several Members, including my hon. Friend the Member for Kingston upon Hull North (Diana Johnson), have raised. Perhaps he has taken a monastic vow of silence. Why is it that his party committed to having 3,000 more police officers on the beat, but now supports removing 40 police officers from each of the 10 constituencies in Birmingham?

Diana Johnson: My hon. Friend raises an important question, and the Minister might be able to respond shortly.

Let me make one final point about policing in general. My hon. Friend the Member for Birmingham, Selly Oak mentioned the politicisation of the police through the madcap scheme of establishing police and crime commissioners in each police force area. That will be done at an estimated cost of at least £50 million, at a time of savage cuts to front-line policing. I ask the Minister to think again, because the scheme seems to enjoy little support.

We heard that the number of police officers in the west midlands has increased from 7,113 to 8,536 since 1997.

Steve McCabe: Does my hon. Friend agree that if it is legitimate to have a referendum to determine whether people want directly elected mayors, it would be equally legitimate to ask them whether they would prefer scarce and precious resources to be spent on keeping police officers in their jobs or on electing a highly political animal to dominate the police and change the character of British policing? Would that not be a localism agenda?

Diana Johnson: As we know, the coalition Government are wedded to the idea of localism, so the Minister might feel able to respond to that suggestion, which would fit very much with asking local people what they would like.

As I said, we have heard about the increase in the number of police officers. We have also talked at length about the problems with the grant that the West Midlands police force receives, which constitutes 83% of its total funding and which is not raised from local council tax. I seek guidance from the Minister about his approach to the precept that local councils will be asked to agree for policing. Does he expect it to go much higher? That would not fit with the approach taken by the Secretary of State for Communities and Local Government to restricting council tax increases. Perhaps the Minister can tell us what he expects from police authorities in terms of the precept.

We have heard a great deal about these issues not being confined just to the west midlands. I think that they will start appearing in the press almost every day. Today, we have heard that the Greater Manchester police force is looking at 3,000 job losses, including 1,500 police officers. Those job losses will be set out in a report from the chief constable to the police authority, and it looks as though at least a quarter of the force's staff will go over the next four years.

It is worrying that there might, as we have discussed, be a push to remove officers with more than 30 years' experience in the police force. The provisions that are being used were introduced not to bring about such a wholesale reduction in the number of experienced officers, but to be used in the interests of policing with particular officers. Will the Minister comment on that? There is particular concern about what will happen to the specialist skills of some experienced officers, particularly those in the specialist domestic violence units and rape units. The general public will have real concerns about the impact on their communities when we lose that specialist policing.

We know that efficiency savings can be made. A report by Her Majesty's inspectorate of constabulary entitled "Valuing the Police: Policing in an age of austerity", which was published in July, said that there could be a redesign of the police system, with savings of about 12%, but cuts of 20% go well beyond that. West Midlands police has already taken action to streamline its operations and promote greater efficiency through the Paragon programme, which is set to save £50 million over four years. However, it does not look as if the coalition Government will work with police forces that are doing the right thing by looking for efficiency savings. Comments from KPMG and the Police Federation make it clear that 20% real-terms cuts across the country over four years—they will be front-loaded, so chief constables and police authorities will have to implement them right at the start of the four-year period, which will make it difficult to make plans—will mean that no efficiency measure that police authorities and chief constables can possibly introduce will be enough, and front-line policing will suffer.

I look forward to the Minister's response to the long list of questions from my right hon. and hon. Friends. I hope that he will think again about the impact on the West Midlands police authority.

10.36 am

The Minister for Policing and Criminal Justice (Nick Herbert): I congratulate the hon. Member for Coventry South (Mr Cunningham) on securing the debate. I will certainly endeavour to answer as many as possible of the questions that hon. Members have put to the Government.

I understand the passion with which hon. Members have spoken and their concern to secure the best possible policing for members of the public in their constituencies. Members on both sides share that concern. We want to ensure that the public remain safe, and it is, of course, the Government's duty to do everything we can to achieve that. Nevertheless, there are two strands to this debate, which were correctly identified by the hon. Member for Birmingham, Erdington (Jack Dromey). The first concerns the political points that hon. Members have made, and I will respond to those first. The second concerns the specific position of West Midlands police, and I will endeavour to respond on that as well.

I cannot let the moment go by without observing that the reason why this Government have to make cuts in police funding is to deal with the deficit bequeathed to us by the previous Government. I must make that point because political points have been made by Opposition Members, who accepted no responsibility for the position in which their party left the country. Indeed, they appear to be proceeding on the basis that we can simply ignore the contribution that policing can make to delivering savings and that what is being announced now is somehow all the fault of the new Government, who have been in office for barely a few months.

Mr Jim Cunningham: I think that my party, when in government, faced up to that. The Minister is not facing up to the fact that the bankers started the problem; we did not. Until that is faced up to, there will be all sorts of problems, because nothing has been done about it.

Nick Herbert: I did not understand a word, I am afraid, that the hon. Gentleman said, but we are indeed facing up to the problem of the deficit that was bequeathed to us by the previous Government. We simply do not regard it as sustainable that we should, in a few years, be spending about three times as much on debt interest alone as we do on the entire criminal justice system. In the Government's view policing can make its contribution to reducing the deficit, by making savings.

Diana Johnson: It is clear that Labour had a policy of halving the deficit over four years. It is clear as well, as I said in my speech, that we looked to efficiency savings, which we thought could bring about a 12% saving. I do not quite understand why the Minister feels that the Opposition do not have a policy on the matter. Clearly, we do.

Nick Herbert: I am intrigued to hear that the Opposition now admit that they would have been cutting the policing budget, if that is what the hon. Lady is saying. One would not have known that from any of the rhetoric used by the Opposition Members, who talked as though it were not necessary at all to deal with spending by police forces. Perhaps the hon. Lady should have a word with her hon. Friends and explain to them exactly the scale of the cuts that she proposed.

Jack Dromey: Is not there a contrast between the Liberal Democrat pledge of 3,000 more police officers, the pledge made by my party to protect front-line policing, and what the Minister said to his constituents at the time of his election? Did he tell them that there would be cuts to front-line policing?

Nick Herbert: Let me try to explain to the hon. Gentleman that it is our ambition, too, to protect front-line policing. We want policing to be maintained in neighbourhoods, in the form of neighbourhood policing and response policing, so that when people dial 999 they can be certain that officers will arrive. Of course we want that, and so does the chief constable of the West Midlands police—as do all chief constables. We believe that it will be possible to protect that front-line policing in spite of the cuts to the police budget that we have announced. I shall explain why, but first I wanted to get out of the way the point that we had to deal with the deficit; it is our responsibility to do so in the national interest. We have now had an admission from the Opposition that they would have cut spending as well. Of course they will not say how they would have allocated £40 billion of spending cuts, but there is no doubt—because they have admitted it before and repeated it today—that some of those cuts would have fallen on police budgets. Let us have less high moral outrage from Labour Members. Let us accept that, whoever was elected, policing budgets would have to be dealt with because of the deficit bequeathed to the country by Labour's fiscal mismanagement.

The second issue that hon. Members raised was police numbers. The hon. Member for Kingston upon Hull North said that "sadly," there was "no sign" of additional police numbers in the coalition agreement. Do I take it from that criticism that she would have liked a commitment to an increase in police numbers, or that that is the Opposition's new commitment? Apparently not. She was apparently saying that it was sad that there was no sign of additional police numbers—she is nodding at that. Can I have from her an assurance that she would like an increase in police numbers?

Diana Johnson: The Minister knows jolly well that I was referring to the promise in the Liberal Democrat manifesto in May of 3,000 additional police officers. I was looking at the coalition agreement—the Liberal Democrats and Conservatives coming together to set out their policy platform, so that we could all see their plan—to see whether the Liberal Democrats got that promise into the agreement. Clearly they did not.

Nick Herbert: The hon. Lady is indeed perceptive. There is no commitment to increased police numbers. Why? Because, in the words of the former Chief Secretary to the Treasury, in the note that he left for us, there is no money. *[Interruption.]* No. Of course we cannot make a commitment to increase police numbers. I am making the point that the hon. Lady cannot make it either, and that in the run-up to the general election the then Home Secretary, now the shadow Chancellor, refused to give a guarantee that police numbers would remain as they were then.

Steve McCabe: Will the Minister give way?

Mr Ainsworth: Will the Minister give way?

Nick Herbert: I shall give way to the right hon. Gentleman.

Mr Ainsworth: Is it the Minister's plan to talk until 11 o'clock without getting on to the central issue that has been raised in the debate—the fact that the West Midlands police force is being hit disproportionately, in comparison with many low-crime areas? Will the Minister spend some time between now and 11 o'clock attempting to justify the disproportionate hit that his proposal is making on the high-crime areas of the country, one of which is the west midlands?

Nick Herbert: I set out at the beginning of my speech the way in which I would respond, and my intention to discuss the situation of the west midlands. The right hon. Gentleman and his hon. Friends made the mistake of introducing a political tone to the debate, and they can hardly be surprised that I respond in kind. If they had chosen to approach the debate in a different way, they would have had more time for the specifics that they want covered. I suggest that they intervene less if they want me to get to the points that I certainly intend to deal with.

The question of numbers has been raised in debate among my hon. Friends and others. Certainly there are, or there were last year—police numbers were beginning to fall in some forces before the general election—a record number of police officers in the country. However, it is not possible to make the simple links between crime levels and police officer numbers that hon. Members have made. I have pointed out before the example of the New York police: the overall police work force contracted by 10% in the past decade—a significant fall—and crime fell by over a third in the same period. Of course they had to focus on making savings and working more efficiently.

I point out to hon. Members who want to make such a simplistic link that in the 12 months to June, most of which period fell within the reign of the previous Government, violence against the person without injury increased in the West Midlands police force area, and so did the number of domestic burglaries. If there is a simple link between the number of police officers and crime levels, why did that happen? The Opposition Members here today are experienced and they know perfectly well that there is not a simple link. The questions we should be dealing with are: how well are resources being deployed and, given that money will be tighter in the next few years, how can we ensure that efficiencies are driven towards getting what the public want—the maximum visibility and availability of policing on the streets?

That takes me to my third point. The independent inspectorate of constabulary recently reported on police officer deployment and made two crucial points. The first was that, on average, the proportion of police work forces that is visible and available to the public at any one time is 11%. There is a significant variation between forces, but that tells us that roughly nine tenths of police resources are not visible and available to the public at any one time, which raises concerns about deployment and should make us look at the efficiency with which resources are being deployed, and at such factors as bureaucracy. Opposition Members made very little mention of that.

Richard Burden: Will the Minister give way?

Nick Herbert: I do want to deal with my points.

Richard Burden: On that last point, where did the west midlands feature, and where did Surrey feature, and will the Minister answer the point we put to him, please?

Nick Herbert: Yes. I am, I hope, coming to all the points that hon. Members made. I want to address them, but I am making the crucial point that the test of police effectiveness is not just to do with the overall sums of money that are spent, or even the overall numbers of officers. It is what is done with the officers.

The inspectorate made a second crucial point, which is that police forces between them could save more than £1 billion a year by improving the way they work. As the hon. Lady said, that would represent about 12% of their budget, once the ability of forces to raise precept was taken into account. As a result, the cut that we announced would be reduced to an average of 14% in real terms over four years. However, I accept that that is an average figure and that some forces have a greater ability to raise money from precept than others—a point made by the right hon. Member for Coventry North East. I shall come shortly to how we can deal with that.

The figures I have just given leave a funding gap of two percentage points. The matters that the inspectorate report did not cover will also need to be addressed. For example, forces could procure collectively rather than separately, which would save hundreds of millions of pounds; and savings will accrue from the announced two-year pay freeze across the public sector that, subject to the police review board's agreement, will apply also to police officers. We believe that significant savings can be made by police forces, including by the West Midlands force—that is on top of the Paragon programme, which is already delivering savings—while protecting front-line services and, crucially, the visibility and availability that concern the public.

We heard nothing—literally nothing—from the Opposition about procurement or other areas where savings could be made. They made the simplistic assumption that a reduction in budget was bound to lead to a reduction in the number of officers on the streets or available to the public, but that is an assumption that they should not make.

Steve McCabe: If we take what the Minister says at face value—I am prepared to accept that he must be right—will he tell us how many officers we in the west midlands can safely afford to lose before he would be concerned? Will he also answer the point about the disproportionate grant, which all of us have raised?

Nick Herbert: I have told Opposition Members of the structure that I wish to apply, and I have said that I am seeking to answer that point.

The deployment of resources is a matter for the chief constable and the police authority. It is not for the Government to decide; it will be the chief constable's decision. The task now falls on him to drive the savings that are necessary, particularly the savings in the back and middle offices, to ensure that the front line can be protected. I repeat that we believe that it can be.

The crucial point is that we have not yet announced the grants for specific forces. The cut that we announced was therefore an average. Within a few weeks, in early December, I shall announce a provisional grant settlement for each force. In considering the level of grant that should be made available to each force, we will go through the proper processes and take account of things such as damping and the needs of forces. That process is under way, so the sensible points by Opposition Members were well made. However—this is something that Opposition Front Benchers will have to address—if some forces are to be given a degree of protection because they raise less money from council tax than others, two questions arise.

First, why should forces in areas where people are already contributing more through the council tax suffer a bigger cut in Government grant? Why should they be punished by a bigger cut? Secondly, if forces such as the West Midlands police were to be given a smaller than average cut, which is what I think the Opposition are asking for, which forces do they say should be made to suffer a greater than average cut? Will the hon. Member for Kingston upon Hull North confirm that it is Opposition policy for forces that receive more through the council tax to suffer a bigger than average cut? Will the hon. Lady confirm that now?

The House will have noted the resounding silence, and seen that the hon. Lady's head is down.

Mr Ainsworth: Ordinary people listening to our debate will have noted that the Minister is playing silly political games rather than acknowledging that the Government grant is provided to areas that have higher levels of crime. That is the reason for them. Saying that that should not be taken into account when allocating the size of the cut does not address the central problem. People need policing proportionate to the scale of the problems that they face. Does the Minister not accept that?

Nick Herbert: Of course these things are taken into account. I have to tell the right hon. Gentleman that if he does not want to play silly political games, he and his hon. Friends should not have started in that vein. Now that he is making a serious point, however, I remind him that we are going through the formal process of allocating grant. Need, of course, is a crucial factor, but that is already reflected in the way in which grant is allocated, particularly for urban areas.

The particular point that I am making to the hon. Member for Kingston upon Hull North and to the right hon. Gentleman is this. If it is argued that a disproportionate share of the savings should fall to the West Midlands police—in other words, that its share of the savings should be lower because the local precept contributes less—the question to be answered, not by the right hon. Gentleman and Opposition Back Benchers, because it is outside their remit, but by Opposition Front Benchers and others is: which forces will therefore have to pay more? As the right hon. Gentleman knows, that is a perfectly fair point.

Jack Dromey: I am grateful to the Minister for giving way. Will he confirm that the consequence of the disproportionate impact on the West Midlands police

[Jack Dromey]

service will be that 2,500 jobs are to go over the next four years, including 1,200 police officers? Will he confirm that that is a fact?

Nick Herbert: No, I cannot confirm that that is a fact. The hon. Gentleman seems to misunderstand the position. First, the grant settlement has not been announced. Secondly, these decisions are not announced by the Government. It is not for me to say; I therefore cannot confirm that what he describes as a fact is indeed a fact. These are decisions for the chief constable and the police authority.

It is clearly unrealistic to suggest that the Government can guarantee the number of police officers, and nor can the Opposition. The question is what the Government can do to ensure that police forces are in the best possible position to make savings and to protect the front line. We believe that it is possible, including in the west midlands, to make significant back and middle office savings so as to ensure that resources go where the public want them.

Richard Burden: The Minister said that he will be looking at the matter in the run-up to the announcement. Will he specify today what criteria he will use to consider the needs of different areas? He has not told us what his criteria are.

Nick Herbert: I have attempted to reply to that question. We will be considering all the proper criteria, including the needs of each area, questions on the damping that has been applied and all the other factors that Opposition Members have raised. I have always been willing to discuss sensibly with right hon. and hon. Members the particular needs of their local forces, and I have discussed them with the chief constable.

Another important aspect to this debate is that reducing bureaucracy will help to ensure that police officers are released for front-line duties. We will save hundreds of thousands of officer hours through measures such as reducing the national requirement on stop-and-search and scrapping entirely the stop-and-account form. The Government are determined to do everything that we can not only to make savings but to protect front-line policing and the number of officers in the neighbourhood. We believe that if police forces work constructively, they can help to achieve those savings and protect front-line policing.

Cyprus

11 am

Jim Sheridan (Paisley and Renfrewshire North) (Lab): Although I am extremely grateful to have secured this debate, it is unfortunate that, 36 years on, the Cyprus problem remains unresolved. There have been many staging posts along the way, where hopes have been raised and dashed. The tolerance and discipline of the Cypriot people must be recognised and not seen in any way as a weakness, because they have a determination to win back their island.

Despite UN Security Council resolutions calling on Turkey to withdraw its forces from Northern Cyprus, Turkey has stubbornly refused to do so. In fact, Turkey has declared on more than one occasion that if it has to make a choice between Cyprus and its accession to the EU, it will choose Cyprus.

Indeed, these very days remind us of Turkey's continuing intransigence over the years. Rather than working to implement the high-level agreements of Makarios-Denktash in 1977 and Kyprianou-Denktash in 1979, on 15 November 1983 Turkey instigated and supported separatist acts by the Turkish Cypriot leadership with an illegal unilateral declaration of independence of the northern part of Cyprus. That action prompted UN Security Council resolutions 541 of 1983 and 550 of 1984, which condemned the UDI, declared it illegal and called for its immediate withdrawal. As a result, no country in the world has recognised the illegal regime, except Turkey, which funds it and exercises virtual control over it.

The newly elected leader of the Turkish Cypriot community, Mr Dervis Eroglu, continues to advocate the same separatist policies on Cyprus. On the anniversary of the Turkish invasion of Cyprus earlier this year, he said:

> "After 20 July 1974 there has been a new geography and two separate states, two separate peoples, two separate republics and two separate sides".

It is against that backdrop of intransigence that President Christofias of Cyprus continues to negotiate in good faith for a lasting solution to the Cyprus issue.

To counter the intransigence of the Turkish Cypriots on the property issue, the President of Cyprus recently made several proposals: to conduct an independent census of population and property ownership in Cyprus; to link the issue of property with that of settlers, as they are interdependent; that the ghost town of Varosha should be returned to its inhabitants; and that the port of Famagusta should be opened, under the supervision of the EU, for the purposes of trade between the Turkish Cypriots and the EU.

Ian Lavery (Wansbeck) (Lab): Does my hon. Friend agree that there are tremendous fears about whether the Turkish Cypriots will take those issues at all seriously in the negotiations and discussions that are to be held on 18 November?

Jim Sheridan: My hon. Friend is absolutely right and we must do all we can: I hope that this debate will reinforce this Government's insistence that Turkey take those negotiations or discussions seriously. I thank him for that important intervention.

The meeting on 18 November at the UN between the UN Secretary General, President Christofias and the leader of the Turkish Cypriot community will provide a good opportunity for the Turkish side to show its respect for UN resolutions and the judgments of the European Court of Human Rights, and to respond positively to the various proposals put forward by the President of Cyprus. We must remain optimistic and sincerely hope that the meeting will prove to be successful, and that Turkey will take seriously not only the concerns of the Cypriot people, but those of the international community.

Sadly, to date the Turkish verbal support for the ongoing negotiations has not been met by their deeds—not a single step has been taken to that effect. Within the context of negotiations, Turkey has rejected all the proposals put forward by the President of the Republic of Cyprus. Turkey still maintains illegally a 40,000-strong occupation army in Cyprus, it has not implemented the Ankara protocol vis-à-vis the Republic of Cyprus, and it has repeatedly used the so-called "isolation" of the Turkish Cypriots as a pretext for the political upgrading of the non-recognised entity—the Turkish Northern Republic of Cyprus, or TNRC—in Cyprus.

Mr Brady, I want to take this opportunity to welcome the high commissioner from Cyprus, who has joined us today for this very important debate.

Having visited Cyprus, I saw at first hand, as others have done, that Turkish Cypriots are far from isolated. More than 60,000 Turkish Cypriots have passports and identity cards of the Republic of Cyprus and therefore of the European Union, allowing them to travel freely across Europe and to benefit from Cypriot health care and social security. In addition, more than 10,000 Turkish Cypriots cross the green line every day to work in the Republic of Cyprus. Moreover, Turkish Cypriots are able to trade their goods freely in the Republic of Cyprus and export them overseas, through the recognised ports and airports of the Republic of Cyprus. However, they are prevented from doing so by the Turkish Cypriot authorities.

It is equally unfortunate that Turkey's intransigence has been rewarded with a seat on the UN Security Council as a non-permanent member and that both Europe and the US are prepared to turn a blind eye to Turkey's activities.

May I also say, in a non-partisan way, that the recent visit by our own Prime Minister to Turkey did nothing to help the Cyprus problem? While he was publicly supportive of Turkey, unfortunately he did not make public mention of the Cyprus problem. However, I am led to believe that he made a private call to President Christofias. Perhaps the Minister can confirm that that was indeed the case.

Mike Freer (Finchley and Golders Green) (Con): I think that the Prime Minister actually mentioned in his speech that Turkey had to resolve the Cyprus issue, so it is not quite correct to say that he did not mention it. That may need to be checked. I read his speech and he specifically said in his speech that the Turkish authorities had to resolve the Cyprus issue.

Jim Sheridan: I have not had the good fortune of reading the speech; I am led only by press and media reports. However, let me say at the outset that I do not wish this issue to become a partisan one. I also put on record that my own party, when it was in government, did very little—if anything—to solve the Cyprus problem. So it is not a question of apportioning blame. When my party was in government, it was just as poor at addressing the Cyprus problem.

Some of the other areas that I want to cover are the issues surrounding the missing persons of the 1974 invasion, the destruction of the cultural heritage of Cyprus, the restoration of property rights and Turkey's accession to the EU.

Mr Andrew Love (Edmonton) (Lab/Co-op): Can my hon. Friend add to that list of issues his response to the orchestrated campaign in the media in relation to suggestions that, if the talks at the UN in New York are not successful, it may lead to a two-state solution for Cyprus?

Jim Sheridan: My hon. Friend makes an important point. There is a school of thought—certainly among the Cypriot people—that regards the press and media as biased toward Turkey. I sincerely hope that the discussions next week will take a balanced approach.

Many colleagues here today have visited Cyprus, seen it for themselves and heard stories about the young men and women who went missing during the invasion, never to be seen again. Their loved ones' heart-breaking stories cannot fail to leave a lasting emotional imprint on all of us. Those families have the fundamental human right to find out what happened to their loved ones, and we as a Government should be asking Turkey to facilitate that request. To this day, the whereabouts of more than 1,400 individuals are still unknown. It is a human tragedy that should not be allowed to continue.

Ian Lavery: Does my hon. Friend agree that the 1,400 young men and women who went missing during and after the invasion should be a main item on the agenda at this week's meeting? It is now 2010, and there are 1,400 families with missing people. Should that not be a main theme on the agenda at the meeting on Thursday 18 November?

Jim Sheridan: My hon. Friend is absolutely right. One cannot overestimate the distress caused to the loved ones of the missing Cypriot people. All that they ask of the Turkish people and the Turkish Government is to understand the severity of their feelings. It should be a crucial part of the discussions to bring some conclusion to that problem.

The destruction of Cyprus's cultural heritage is equally unacceptable. In 1965, Turkey ratified the Hague convention of 1954 on the protection of cultural heritage in the event of armed conflict. Nevertheless, since Turkey's intervention and subsequent occupation of Cyprus in 1974, it has been responsible for the devastation, vandalism and looting of the island's cultural heritage on a scale unworthy of any civilised nation, let alone a prospective EU member. According to the Church of Cyprus, more than 500 churches and monasteries in the northern part of Cyprus have been destroyed, and some 15,000 small relics have been looted. Some colleagues and I recently visited the annual Morphou rally and saw for ourselves the graveyards and cemeteries that have been devastated. I am more than happy to pass the photographs to the Minister if he should require to see them.

[Jim Sheridan]

Colleagues will also be aware of the indefensible isolation of Famagusta, or Varosha as it is known in Cyprus. The city has been left to rot while the rest of the world has moved on. Many Cypriots can only look on with horror and dismay while their properties are occupied by strangers. Turkey's invasion of 1974 left 200,000 refugees homeless, many of whom fled their homes with few or no belongings. There is no doubt that if Turkey wished and had the political will to find a satisfactory conclusion to the problem, we could find a way to restore the properties to their rightful owners.

Turkey has effectively created a so-called state in northern Cyprus, to the detriment not only of the Greek Cypriots whose property was confiscated by the self-styled Turkish Republic of Northern Cyprus but of the Turkish Cypriots who have suffered under Turkish rule by becoming a minority in the northern part of Cyprus. According to the Turkish Cypriot press, Turkey has transferred 180,000 settlers into northern Cyprus, with the consequence that Turkey has imposed its ideology there. More mosques than schools have been built in northern Cyprus—181 mosques to 162 schools—and the crime rate has soared due to uncontrolled immigration from Turkey. Education and health services are becoming overburdened. The Turkish Cypriot media also report that in order to enshrine the ideological shift further, Turkey is now demanding that settlers account for more than 50% of new appointments in the civil service, police, education and health services.

That is the backdrop to the relentless efforts by Turkey and those who blindly champion its membership of the European Union to push for outcomes that legitimise all the grave consequences of Turkey's illegal invasion and 36-year military occupation of the northern part of the island.

Mr David Burrowes (Enfield, Southgate) (Con): I congratulate the hon. Gentleman on securing this important and timely debate as we look to the UN meeting on Thursday. Does he acknowledge that Cyprus itself supports Turkey's accession to Europe? Obviously, that cannot happen unless the Cyprus problem is resolved, but he mentioned blindly supporting accession. The Cyprus Government are willing to go down that path as long as the Cyprus issue is settled.

Jim Sheridan: The hon. Gentleman is absolutely right. That will be a crucial part of the discussions, and the Turkish authorities must take it seriously. I certainly hope that they will.

I wish the UN negotiations every success. There is no doubt that they are complex, but they must be solved in order to draw a line under the Cyprus problem. However, the key to a solution is in the hands of the Turkish Government and authorities in occupied northern Cyprus. A solution that reunites the island for the benefit of all Cypriots and leads to the withdrawal of the Turkish occupation army from the island will boost Turkey's chances of joining the EU more than any other single factor, but that will require Turkey to change its bullying behaviour and give the Cypriot people a chance to live in peace in their own free and united country.

I remind my colleagues of Cyprus's long-standing and mutually beneficial relationship with the United Kingdom. The Greek and Turkish Cypriot communities constitute a strong and vibrant part of British society, predominantly in London, the midlands and Manchester. Equally, Cyprus welcomes more than 1.7 million British tourists to its shores every year. In addition to that mutually beneficial relationship, we have a special responsibility as a guarantor power of Cyprus's sovereignty, territorial integrity and independence. Therefore, we must be an honest friend of Cyprus and help the two communities reach a solution for Cypriots and by Cypriots that safeguards the whole island's territorial integrity and unity. After all, any proposed solution must be put to a referendum. The last effort to solve the Cyprus problem, in 2004, demonstrated what can happen when an imbalanced solution proposed by third parties lacks the support of the people.

Some people argue that the Cyprus problem has had its day, that its shelf life is over and that only elderly people in Cyprus pay attention to it. I have a letter from Alexis Stavrou, president of NEPOMAK, the world organisation for young overseas Cypriots in the UK. It is an extensive, emotional and fact-finding letter, and I am more than happy to share it with any colleagues who wish to see it. I wish for a satisfactory solution to the Cyprus problem in the near future.

11.19 am

Mr David Burrowes (Enfield, Southgate) (Con): This is an important and timely debate, and I welcome the opportunity to speak as chairman of the all-party parliamentary group on Cyprus. I see colleagues here who are officers and members of that group, and recognise that the spirit of the debate is an all-party one. We want to make a consensus point to the Minister that it is important that we take extremely seriously this country's responsibilities as a guarantor power and do not simply sit on the sidelines. We need to make it clear that the Cyprus problem must be solved and the island reunited.

There was a debate on the subject last year and the Library prepared a standard note dated 4 November 2009, which states:

> "many commentators have suggested that the current window of opportunity may well be closed if the presidential elections in the north in April 2010 bring in a nationalist president. The current prospects for a settlement have been put at about two in five."

I am not sure what people would say the prospects are now. In the north, a nationalist politician has been elected. Nevertheless—as the hon. Member for Paisley and Renfrewshire North (Jim Sheridan) said—despite the campaign during that election for a two-state solution, talks have continued. We must recognise that engagement has continued on the basis of the United Nations framework, which clearly refers to a federal bi-zonal, bi-communal solution. That is the framework everyone will be discussing as they approach the United Nations meeting.

The debate is timely given that, as was mentioned in an intervention, reference has been made to the subject in the media by the right hon. Member for Blackburn (Mr Straw), who raised the spectre of partition. I want to refer to that article—indeed, I have given notice to the right hon. Gentleman that I wish to do so. We have had such debates before; indeed, many colleagues here have also been involved in those discussions. At least 70 talks have taken place, and there may be fatigue in relation to the issue. When we discuss concerns about overseas disasters, colleagues will deplore—as I

do—references to compassion fatigue. That becomes imbued when people do not react as they should do to what is happening, and simply accept and tolerate a situation because it goes on and on. My constituency has perhaps the most Cypriots of any—both Greek and Turkish Cypriots—and during my time as a Member of Parliament, I have seen a degree of "Cyprus fatigue" occurring, if one may put it that way. The question is whether Parliament itself has been guilty of that as the years have gone by—or, indeed, whether the British Government have been guilty of it.

My constituents will not allow that to happen. They remind me—if not daily, then weekly—of how, at these times, such a situation is not acceptable. Both Greek and Turkish Cypriots in my constituency want a settlement and a reunited Cyprus. Many of them are refugees and, as has been said, they miss their loved ones. They do not know the truth of what happened, and they cannot even begin the process of reconciliation without that information. I defy anyone attending the rallies held in July by those who are still missing loved ones to go out on to College Green and be fatigued from hearing the protest and seeing the pictures of those loved ones. I encourage everyone to attend such rallies, when we get to that point in July. When we are reminded of the fact that fundamental human rights have been breached, property has been lost and the right to return to villages has been lost—as colleagues have said—we cannot in any way be fatigued.

In my constituency during the election campaign, Cyprus was inevitably an issue. I was given a book about Cyprus and, on the inside cover, the author has written:

"Why do you as the mother of parliamentary democracy allow Turkish troops to continue to occupy our island?"

That is a very simple but profound question that continues to be asked, and that we cannot simply ignore and become fatigued about through the passage of time. Parliament must stand up for Cyprus, which is why it is so welcome that hon. Members from all parties are doing that today. Through the all-party parliamentary group on Cyprus, we want to encourage more parliamentary colleagues to become involved in the issue and join the group.

Also, we as Parliament must take more seriously our guarantor powers and responsibilities—indeed, the Government must also do so. We cannot sit on the sidelines as a spectator. It is fundamentally enshrined that we, as a guarantor power, must ensure the independence of Cyprus and the sovereignty of the whole island. That must be fully respected. If, in any way beyond that, one were to be fatigued about the Cyprus problem, one would only have to read the article written by the right hon. Member for Blackburn in *The Times* on 8 November to be energised.

The right hon. Gentleman's influence is now confined to the Back Benches and the media, and I am confident he has no influence on the Government in this regard. I do not know whether his article was deliberately provocative, but it has certainly served the useful purpose of galvanising support for reunification—not for partition. It is worth analysing the argument that has been made in the media—I do not want to pay too much attention to the article because I do not think it should be given more credibility than it is worth—to allow the Minister to respond and to contrast such opinions with the Government's approach. Doing so would benefit the hon. Member for Paisley and Renfrewshire North, and the community at large.

When one considers the right hon. Gentleman's argument, it is—to coin a phrase—based on straw. He says that if talks fail, the Government should formally consider partition. First, that is not legal. The United Kingdom's obligations in the 1960s treaties relate to a commitment not to support

"any moves towards the partition of the island or the recognition or upgrading of any separate political entity."

I would welcome the Minister's making it clear that partition is not an option for Britain. It is not an option for the United Nations and, fundamentally, it is not an option for the European Union, which cannot accept a divided member state. Secondly, it is not ethical. The right hon. Gentleman's article referred to the numerical advantage of Turkey over Cyprus in terms of both Greek and Turkish Cypriots. However, one cannot say—certainly we in the House cannot say—that law and justice do not matter if someone is big and strong. I do not want to make this a partisan issue—that certainly has not been the nature of the debate—but the previous Government talked about having an ethical foreign policy. The right hon. Gentleman was a member of that Government, and I wonder how his opinions sit with that argument.

Thirdly, such an argument is wrong on the basis of fact. Reference was made to the Annan plan. From being involved in this subject, we all know that, regarding the argument, we can often go back into history and be left there. However, we need to be accurate about history. The Annan plan did not fail as a result of the late President Papadopoulos ratting—as the right hon. Gentleman said—on the deal. The Annan plan failed because it was imposed—this is a lesson to be learned by the United Nations—by the Secretary-General and others, who sought to impose a deal through their own time limits on the Greek Cypriots. The plan came very late in the day; indeed, it was seen at only five minutes to midnight by some people before they had to start making a decision on it. As the Prime Minister states in a letter to me that has been published, we need to recognise that

"The ethos of the current process, by Cypriots and for Cypriots, and without the imposition of deadlines distinguishes it clearly from previous processes, such as the Annan Plan."

Reference has also been made to the accession process, to suggestions that Cyprus alone is standing in the way and that the matter of Cyprus is a convenient excuse for other countries to object to Turkey's accession. I support Turkey's accession and realise that it has great advantages. I welcome the Government's commitment to Turkey's accession and do not see it as being at odds with what we want to do; indeed, I consider it to be an important part of ensuring that we receive justice for Cyprus. Let us not forget that Germany, Austria and France have deep objections to Turkey's accession, but they do not simply rely on the matter of Cyprus as a convenient excuse.

Mr Love: I am listening carefully to the hon. Gentleman's speech. On Turkey's accession to the EU, does he agree that it will be important for there to be continuing support from both Cyprus and Greece? The questions raised by my right hon. Friend the Member for Blackburn

[Mr Love]

(Mr Straw) will go a long way to undermining that continuing support, on which Turkey's membership will crucially be dependent.

Mr Burrowes: That is quite right. The argument has been taken into terrain that is neither practical nor lawful. We must properly recognise the parties whose support is needed to move towards accession.

We must also recognise the facts. The reality is that the European Commission's report published on Tuesday 9 November admonished Turkey for not moving faster to settle border disputes and normalise relations with Cyprus. That involves the Ankara protocol, which deals with proper access to ports for Cypriot shipping. Cyprus has been a member of the European Union since 2004, which is important. The Prime Minister made that point clearly in his letter:

"part of Turkey's accession criteria also requires full, non-discriminatory implementation of the Additional Ankara Protocol, including allowing access to its ports for Cypriot shipping. We continue to press Turkey to do this."

Mike Freer: I ask my hon. Friend to be slightly firmer on those requirements, and perhaps the Minister might also like to comment on them. Turkey must do more than just allow access to the ports through the general Ankara requirements. We must accept that it cannot become a member of the EU while it has armed forces occupying part of Cyprus. It is not just about access to ports; all Turkish troops must be withdrawn from the island before we can proceed.

Mr Burrowes: I am grateful to my hon. Friend, who makes an important point. It is not simply the case that Cyprus is standing in the way of EU membership; it is up to Turkey to recognise that it must remove the army and that the island needs to be reunified. Turkey must take those steps before it can move towards EU accession. The European Commission's report also noted the Commission's assessment that freedom of expression needs to be strengthened in Turkey, both in law and in practice. It highlighted the fact that shortcomings remain in the free exercise of religion, and reference was made to disputes with neighbours, including Armenia. Those are other factors that go beyond Cyprus. It is important to get the facts right when making the argument about the accession process.

I believe that talk about partition is loose talk. Where would the property rights of my constituents and others stand in a partitioned land? Where would the villagers whom I met on Saturday evening stand? They are desperate to return and to have free movement, so that they can take up their proper rights to their villages. Where would villagers from Eptakomi, which I have visited, stand if they want to return, or those from Famagusta, which has been mentioned, and from other places? What about the enclaved people in Rizokarpaso, whom I visited some years ago? They are few in number, but there are huge human rights concerns. Where would they stand in a partitioned land?

There is talk of two peoples and two states, but that does not fit with the reality, the ethics, the law or the practice. One example is the Maronite community, whom I have mentioned in previous debates, who have not had free access to three of their four villages. On 17 July, the army allowed Maronite inhabitants to attend a church service in one of those villages, Ayia Marina, for the first time as a one-off. That is progress, but it was just a one-off. The Maronite community would like to know why they cannot have continued freedom of access and the basic freedom to worship. They have that freedom in Kormakitis, but why not in Asomatos and Karpasha?

There has been some progress. Crossings have been opened in the north-west of the island, progress has been made in relation to missing persons, with the remains of 690 Cypriots being exhumed, and some better access has been granted, but I encourage the Minister to press Turkey for better access to restricted areas for investigations.

In conclusion, it is important that we build a consensus. Indeed, the Prime Minister made that point in his letter:

"The UK's politicians also have an important role to play in supporting the efforts to build consensus".

That is what we want to achieve. It is a consensus on the reunification of the island of Cyprus as one country. It is a single international personality, with a single Cypriot citizenship, on a single united island.

11.34 am

Mr Alan Meale (Mansfield) (Lab): This is the first opportunity I have had to congratulate you, Mr Brady, on your exalted position—I trust that it is the result of a lack of available positions on the Front Bench given the poor coalition that is now in government. Hopefully, you will one day tread the boards in that direction.

Mr Graham Brady (in the Chair): Order. I did not seek such a position, and I am very happy to be here chairing the debate.

Mr Meale: I am pleased to hear it, Mr Brady, and I trust that you will continue to exercise your great degree of independence on political matters from such a prime position.

I thank my hon. Friend the Member for Paisley and Renfrewshire North (Jim Sheridan) for securing this excellent opportunity to discuss what is a very serious subject. I should at the outset declare an interest: I have a small Cypriot community in my constituency, which my hon. Friend failed to mention in his list. As a result, I was invited to visit Cyprus in September for a day and a half—travelling by second-class air fare—to speak at the Morphou rally in the south of the republic.

It is important that we are having the debate at the start of a week in which, as we all know, serious talks will take place in New York. I must say to Members present, and to others who will read the pages of *Hansard*, that the whole question of Cyprus is expressed as a problem for Cyprus, but—as I keep saying again and again—it is also a problem for Europe and, as my hon. Friend the Member for Edmonton (Mr Love) said, for Turkey itself.

Let us look at why Cyprus was allowed to join the European Union, a move that was led by Britain. A British Government argued that Cyprus should be in Europe because it would have been ridiculous and folly to keep it out of Europe. We all know what Cyprus was at the time of its entry. It was being treated as an offshore island by many, with 7,500 companies on its

shores. It had its own stock exchange and an independent link into the European banking system. It was probably best placed for trade with the old eastern bloc, which most of Europe was not. It had a fine relationship with areas of the middle east and an outstanding trading relationship with China and Africa, which many EU countries did not have. As I understand from scientific texts, Cyprus is one of only four places on the planet that have windows into space, and, communications being so important for the future, it was important that that was kept in the European sphere, rather than being independent outside it. If anyone has any doubt about that, they will recall that it is for that reason that Britain's listening and searching stations are still situated on the island.

Last, but not least, there is the importance of oil and gas, not only for Europe, but for the rest of the world. People will have to consider the importance of the European oil and gas pipeline, which is now being driven down to the shores of Greece, where further pipelines will be fixed that go across to Limassol in the republic. Similarly, pipelines will be coming down to join the central European pipeline from the Caspian sea, and they will link in to guarantee oil and gas for Europe. Cyprus will shortly become the gas station of Europe, and possibly the world, which is another reason why it was important that it came into the EU.

The talks that will take place this week in New York are very important. Although I praise greatly my colleague, the chairman of the Commonwealth Parliamentary Association, those who argue in favour of the Annan plan should be asked which Annan plan they favour. Annan 1 had some important aspects that people might have used for the basis of negotiation, but after time there came Annan 2, Annan 3, Annan 4 and Annan 5, and each one was worse than the one before.

In this week before the talks commence, we have had a deliberate provocation by my right hon. Friend the Member for Blackburn (Mr Straw)—a colleague from this side of the House, in this place—which was an attempt not only to influence the talks in New York, but to set in motion a political dialogue in Europe that would call for partition. No one with whom I have discussed the issue of Cyprus has argued such a case. I trust those of my colleagues who say that the announcement by that individual two weeks earlier that he would take the opportunity to speak freely around the world, and possibly be paid for doing so, was not one of the reasons that he tip-toed in such a sordid manner into that area of political discussion—I hope not. I met him last night in this place and left him in no shadow of a doubt about what I thought of his position. I fervently countered each of his arguments, and we accepted that we would continue to disagree.

Let us look at why there needs to be a conclusion to the sordid affair of Turkey's involvement in the independent country of Cyprus. Turkey has no right whatever to be there. Anyone who has any doubt about that should look back only 100 years in history. They will find that the Turkish state sold the island to Britain for 110 pieces of gold—that is the reality. Turkey sold it many years ago and gave up its interest in it.

Since that time, successive British Governments have participated in the life of Cyprus in a positive way. They built good institutions and mechanisms that are still alive on the island today—there was good purpose in those people. As I said earlier, that is one of the main reasons why we have supported the case for Cyprus to enter the European Union.

However, Cyprus is still left in the abyss of division, and we cannot agree that that should continue. I say to this British Government, as I said to the previous Government, who were of my political persuasion, that they cannot and should not stand idly by while individuals take advantage of the situation in Cyprus. British citizens take advantage of it—wrongly, in my opinion—but no action is taken against them. I refer, of course, to British citizens who foolishly invest vast sums of money to get properties and land on the cheap and then seek to put them on the market to make money. That has to be stopped. Rather than actions to try to stop freedom in Cyprus, perhaps some action should be undertaken by the British Government against British citizens who act in that way.

Mr Matthew Offord (Hendon) (Con): I refer hon. Members to my interests in respect of Cyprus. Does the hon. Gentleman agree that, when an agreement is reached, those people who decided to invest in or purchase property in northern Cyprus should not be recompensed by either the Greek Cypriot people or the British Government?

Mr Meale: All I can say is, "Well said." I agree with every sinew of that argument and would take it even further. The hon. Gentleman may recall that the European Court of Justice recently made a decision in the Loizidou case, in which a property had been taken over in the north and used for 27 or 28 years. The ECJ said that a large sum of money should be given in compensation just for use of the property and then, whenever the stage is reached at which property is handed back, no price should be paid for that property portfolio. The same thing should apply to others, and I say that in the knowledge that a handful of my constituents have been foolhardy enough to invest in Cyprus. They were told clearly and repeatedly, time and again, by the British Government—and I said this in local papers when the issue came up—that they would be foolish to invest in such a way, but greed and avarice took over and they foolishly did so. They had one sole objective, which was to make money for themselves.

To conclude—I know that several other people wish to speak—there can be no veto on full EU membership for the Republic of Cyprus, or on its recognition by the United Nations as an individual nation. I doubt that there would be any support in this or any future British Government for partition of the island. We have fought for years to try to get a solution to the problem. We fought in Germany to get what we thought was the last remaining wall in Europe pulled down, and I do not believe that we would go for partition in Cyprus.

In the course of achieving freedom for Cyprus, there are projects that are trying to identify the remains of people who were killed, but we must insist that work is done on other areas of concern. Many people are still missing, and we must work with the Turkish Government and insist that they provide the knowledge that they have of the whereabouts of missing persons. They should perhaps also suggest that leading religious figures and bodies—Greek and Turk, Muslim and Christian—appeal to their leadership to reveal any information they have.

[Mr Meale]

As any of us who have lost loved ones in the past know, if there is any shade of doubt about what occurred, we think about it all the time. If individuals are missing, we live with that on a daily basis. It is no different for the hundreds of thousands of people—not just mothers and fathers but brothers, sisters, cousins and nieces—who have missing relatives in Cyprus.

The free world must also make certain demands about the kind of solution that is achieved. It cannot be right that 180,000 settlers have been moved from the mainland of Turkey into Cyprus and told that the property on which they live is now their own, when they have no right to it whatever. Those people have to return.

Last but not least—most important of all—the tens of thousands of troops who illegally occupy the north of the island have to be taken back to the mainland. There can be no peaceful solution in Europe while troops from a country that is not a member of the European family reside on European shores. That is the reality. They have to go back, and I ask this Government to plead with Turkey to start that process.

11.47 am

Mr Andrew Love (Edmonton) (Lab/Co-op): I, too, welcome you to the Chair, Mr Brady. This is the first debate I have attended for which you have been in that position. I refer to my entry in the Register of Members' Financial Interests, just in case I have one in respect of this issue.

I congratulate my hon. Friend the Member for Paisley and Renfrewshire North (Jim Sheridan), who represents a part of the country that is dear to my heart. I congratulate him mainly on the timing of this debate, which comes just in advance of the forthcoming United Nations-sponsored meetings in New York.

I start today from the premise that the coalition Government, the previous Government and I have all been committed to Turkey's entry to the European Union. Indeed, as I mentioned earlier, Greece and Cyprus have also been committed to its entry. We take that position to reject the crude anti-Muslim feeling that one sees across Europe—it has no place in a decision in respect of Turkey—but also because Turkey's membership would be good for the EU and for Turkey. The question is how we achieve its membership.

The first thing—I say this with some passion—is that we do not issue threats about a two-state solution in Cyprus. I was rather surprised by the mention that was made of the role of my right hon. Friend the Member for Blackburn (Mr Straw). People who pay attention to these matters will of course know that there has been an article on them by Martin Kettle in *The Guardian*, and a leader in the *Financial Times*, which show the somewhat dubious consistency over the years. I read the articles with some care, and was reminded of the negotiations on the referendum and the Annan 5 proposals. The one lesson that we should learn from that experience is that to issue unveiled threats and to try to maximise the pressure on one side rather than the other is almost certain to be counter-productive, and to fail.

The first thing that I would say to the Minister, therefore, is that, when the parties assemble at the United Nations, I hope that Britain in its role as a guarantor power will try to exercise some leverage on other guarantor powers, and also on the two communities taking part in the direct negotiations. It is important to be impartial in that regard. Everyone says that we need to get into a proper negotiation and, to do that, equal pressure on all parties to the negotiation is required. We have to have, as the United Nations states, the courage to "break the stalemate", but the stalemate is not broken by trying to break one of the parties to the negotiating process.

The Secretary of State for Foreign Affairs was placed under the spotlight last week by my right hon. Friend the Member for Blackburn, and I was reassured by his response:

"I do not want to say anything at this moment that might make those talks more difficult." —[*Official Report*, 9 November 2010; Vol. 518, c. 139.]

Those are surely wise words at this time, and I only wish that others had taken that lesson to heart.

What if we ended the isolation of the northern part of Cyprus? I am often told that its having access to a market of the European Union would make a tremendous difference, and that the very low living standard of the people there would suddenly be transformed. The collective evidence is that the most likely way to transform the economy of the north of Cyprus is to find a solution to the division of the island. That will achieve more than any other step. We have to accept that if the area is not reunified, and does not get the support of the Cypriots on the rest of the island, it will be a very long time before the northern part of the island can look towards European-style standards of living.

It has also to be said that the north of the island remains very dependent on subsidies from Turkey, and that will not change in the short or medium term. Although the isolation might be ended, there are factors that increase the isolation from Cyprus itself. Mention has been made of the changing demographics in Cyprus: Turkish Cypriots are leaving the island and people from the mainland are still coming in. That will do nothing to reverse the isolation; it will, I would argue, increase it.

The isolation is, of course, also strengthened by certain politicians—we have all heard the comments. Mr Denktas cast a very long shadow during his 22 years as leader of the Turkish Cypriot community. In the statements that are made—and we have heard some recently—it is said that there are two peoples, two languages and two cultures and there must, therefore, be two states. We reject that idea, but if they do not, it is hard to see how they will prevent the Turkish Cypriot community from continuing to leave the island. The Turkish Cypriot community recognises its long-standing bonds with the rest of the Cypriot community on the island, and would continue to experience the isolation.

What are the consequences of a two-state solution? I turn to the *Financial Times* leader writer:

"A two-state solution is not an ideal outcome."—

a bit of an understatement by a leader writer—

"It would impose grave costs on the Greek Cypriots in terms of maintaining high levels of military expenditure to counter the perceived Turkish threat. In the short term, it would deal yet another blow to Turkey's prospects of joining the European Union."

So, let us look at the matter in slightly more detail. Yes, the solution would be a major blow to Turkey's membership.

and I wish that my right hon. Friend the Member for Blackburn had thought about that. Would it inflame relations? Undoubtedly, and not just those between the Governments of Cyprus and Turkey, but relations that have been unfrozen in recent years and have enabled many people from the north of the island to cross the border to work in the south.

A two-state solution would inflame relations between Greece and Turkey, which have, of course, been a major problem in recent years, but it would also increase instability in the eastern Mediterranean. What would the consequence of that be? It would not be just Cyprus that was building up its military arms; we would see, I suspect, just a little bit of an arms race in the eastern Mediterranean. What would the impact on NATO be? Such impact is one of the major reasons why the Americans are so keen to find a solution, as is, of course, the impact on the island itself, with the continuing exodus of Turkish Cypriots. Such a solution would have a negative impact on Turkey's membership of the EU and would give heart to those European Union member states that are not really concerned about the situation in Cyprus. As was mentioned by the hon. Member for Enfield, Southgate (Mr Burrowes), there are other reasons why France, Austria and other European Union states continue to object to Turkey's application. We need to unify those states in support of EU membership for Turkey, and we do not achieve that by ostracising Cyprus, or by ostracising Greece, at this particular time.

I finish by asking two things. First, I ask my hon. Friend the Member for Caerphilly (Mr David) please to give us a defined statement that the Opposition parties continue to support the negotiating process and take on board the Foreign Secretary's wise words. Secondly, I ask that the Government not just wholeheartedly support the negotiating process—I know that they do—but that they do so while recognising that Britain, because of its unique position and its guarantor power status, and because it is a member of the Security Council and a critically important member of the EU, should do more. We need to kick-start that negotiating process when it happens next week, but let us be in absolutely no doubt that it is only that session that can lead to a viable, long-term, stable solution in the eastern Mediterranean. Frankly, talk of any other issue is wild and unnecessary; we all need to get behind the Government, the two parties, the other guarantor powers and the United Nations to ensure that this succeeds where it has failed in the past.

11.59 am

Mr Matthew Offord (Hendon) (Con): I welcome this debate, secured by the hon. Member for Paisley and Renfrewshire North (Jim Sheridan). I, like him and some of my colleagues, have been involved in the Cyprus debate for many years and I often feel, with some despondency, that we do not make further progress, even after the annual Trafalgar square rally and our visit to the Morphou rally in Cyprus. I was therefore pleased that the coalition Government outlined, in its document for governing, that Cyprus will be taken seriously.

[Mr Andrew Turner *in the Chair*]

Cyprus has faced many invasions in its long and continuous history. The difference in the experience since 1974 is that 40% of the island is divided from the other part, based on people's origin, religion and nationality, effectively expelling the Greek Cypriots from their own homes in the occupied areas and moving Turkish Cypriots into the occupied part of the island. The right hon. Member for Blackburn (Mr Straw) misses the point. More than a quarter of the population of Cyprus and many people who live in this country are still experiencing the effects of the invasion. They are not allowed to live in their legally owned home, not able to cultivate their land or to worship in their churches and not even allowed to tend the graves of their loved ones, which is most distressing for a lot of people.

Jim Sheridan: Much mention has been made of the comments of my right hon. Friend the Member for Blackburn. Does the hon. Gentleman agree that it is unfortunate that my right hon. Friend did not take the opportunity to attend this debate and share his pearls of wisdom with us?

Mr Offord: It certainly is a great shame that the right hon. Gentleman did not attend today. *[Interruption.]* I am informed that he was, in fact, invited to come along. Perhaps he had something else to do in the House, I do not know, but it would have been useful if he had come along and clarified his comments, particularly as a former Minister.

For the first time in history, the people of Cyprus have been left, de facto, separated into homogenous racial, religious and geographical areas. That continues to happen, despite the General Assembly and the Security Council of the United Nations and other organisations adopting resolutions that condemn the Turkish invasion of Cyprus in 1974 and support the independence and territorial integrity of the Republic of Cyprus.

The division planned by Ankara was strengthened in 1983 by the unilateral declaration of independence by the Turkish Cypriot leadership, with Turkey's encouragement and support, and the establishment of the so-called Turkish Republic of Northern Cyprus. It is worth stating that the international community directly and categorically condemned this secessionist action. The Security Council stated that the act was "legally invalid" and demanded the revocation of the "unilateral declaration of independence". As a result, the illegal occupying regime has not been recognised by any state other than Turkey, the occupying power.

In addition to the human tragedy, I have seen for myself the cultural and religious destruction that is taking place. Hon. Members have spoken about recent political issues and the talks, which I welcome, but I shall focus on the continuing destruction of the history and culture of the island. The occupying force in the north appears to be working to erase any reference to anything Greek or to Christianity in the north part of the island. The Turkish occupying force has replaced all Greek names of towns, villages and roads with Turkish names. At the same time, I am concerned that Neolithic settlements are being destroyed, such as the one at Apostolos Andreas-Kastros, which, for those who cannot understand my poor Greek, is on the eastern tip

[Mr Offord]

of the island. Prehistoric and historical towns, such as the famous site of Enkomi and the ancient city states of Salamina and Soloi, are being left to the ravages of time.

Clear and undeniable desecration is occurring in churches. This year, when I took the opportunity to cross the line, I visited the occupied town of Morphou and saw for myself churches being used for so-called alternative activities—for example, we saw one church being used as a dance studio and another being used as a warehouse. Some churches are derelict and left dilapidated. What shocked me most was desecration of the churchyards: I saw one being used by the fire service, which parked fire trucks on graveyards; the second was not only left in a desecrated state, but was being used as an army base. I cannot understand how an occupying force could allow its army to do that.

Cyprus is often referred to as the crossroads of civilisation. What I witnessed there were not the actions of a civilised nation, but shocking and disrespectful behaviour by an invading force.

Mr Meale: I am grateful for the hon. Gentleman's accurate descriptions. Other descriptions have been given by Members of Parliament who have crossed over, including of former churches being used for animal husbandry. Does the hon. Gentleman know that the Leventis Foundation, which conducted an examination of stolen artefacts—my hon. Friend the Member for Paisley and Renfrewshire North mentioned that more than 1,500 have been stolen and shipped abroad—found that many were found in huge numbers, including in the walls of churches, with references dating back as far as St Paul? All had been stolen. Whole walls were stolen and exported to the United States and other places for sale.

Mr Offord: The hon. Gentleman makes an interesting, useful point. I am aware of some of the artefacts that have been removed from the island. In a judgment of the United States Court of Appeal in 1990, the judge ordered the return of the Kanakaria mosaics to Cyprus. The president of the Court Appeal, Chief Judge Bauer, mentioned a characteristic quotation from Lord Byron, which I think the hon. Gentleman will find interesting, describing the Turkish invasion of Corinth in 1715. Of the many churches and monuments that lie today in ruins on Cyprus, Bauer says:

> "As Byron laments, war can reduce our grandest and most sacred temples to mere 'fragments of stone'. Only the lowest of scoundrels attempt to reap personal gain from this collective loss. Those who plunder the churches and monuments of war-torn Cyprus hoarded their relics away, and are now smuggling and selling them for large sums, are just blackguards."

That description could apply to people who are continuing in that fashion today.

I say to the British coalition Government that in the talks about the accession of Turkey to the EU, there are red lines on which hon. Members here today will insist. First, land and property must be returned to its rightful owners without compensation being paid to those people who decided, through greed and avarice to invest their moneys in the northern part of Cyprus. Secondly, the people who are missing need to be identified and returned to their loved ones, so that they can start the grieving process. Thirdly and finally, I urge the British Government to secure an agreement that is acceptable to all the islanders—not just the Greek Cypriots, but the Turkish Cypriots as well. We want to be even-handed and open with all islanders and to remove the only divided island left in Europe, so that we can have the peace and security in Europe that we want.

12.7 pm

Mr Wayne David (Caerphilly) (Lab): We have had an important debate this morning. I commend the tone in which it has been conducted: serious, practical and honest. I particularly congratulate my hon. Friend the Member for Paisley and Renfrewshire North (Jim Sheridan) on securing the debate and on his opening speech, in which he showed his knowledge of and passion for the subject. He emphasised that we need a balanced approach to Cyprus and touched on the complexity of the issues confronting us, particularly missing persons and property ownership. Indeed, he is a true and honourable friend of Cyprus.

The hon. Member for Enfield, Southgate (Mr Burrowes) made a good speech, in which he warned us to be wary of what is sometimes termed "Cyprus fatigue". We must all ensure that we are fully engaged with the issues and that we take the matter forward collectively. The hon. Gentleman, and others, referred particularly to remarks by my right hon. Friend the Member for Blackburn (Mr Straw). I should like to make it clear that in both his article in *The Times* and the interview on the "Today" programme, my right hon. Friend was expressing his entirely personal view. It is not Opposition policy. Labour's policy, I believe, is unchanged. We are focused foursquare on ensuring that maximum support is given to the talks at the United Nations in New York this week. We encourage both parties to work together harmoniously to come to a just, fair solution.

We heard from my hon. Friend the Member for Mansfield (Mr Meale), who talked about the abyss of partition—a highly graphic way to put it, and I am sure that we are all mindful of what he said. We also heard from my hon. Friend the Member for Edmonton (Mr Love), whose wise words stressed the need for us to be impartial in ensuring that both communities together reach a mutually agreeable solution. The hon. Member for Hendon (Mr Offord) powerfully expressed his concern about the destruction of artefacts in the north of Cyprus and the need to protect places of worship.

We are at an important stage in what will, we hope, be moves towards peace and reconciliation in Cyprus. I emphasise that Labour believes in a comprehensive, just and lasting settlement for the whole island. Our view is that only a settlement that is negotiated by Cypriots for Cypriots, and acceptable to both sides, will ensure the future of Cyprus. We support a unified Cyprus and a Cypriot-led process under the auspices of the United Nations. We do not support a solution that is imposed or enforced by others. The United Kingdom must offer its full support to the negotiations that all Cypriots want to succeed.

When Labour was in government, we proposed that 50% of the land currently in UK sovereign bases in Cyprus be made available to a united island once a resolution was found. We hope that that proposal will be taken forward by the current Government when the two sides resume their talks.

12.11 pm

The Minister for Europe (Mr David Lidington): I congratulate the hon. Member for Paisley and Renfrewshire North (Jim Sheridan) on securing the debate. He has a long track record in this House of interest in and support for Cyprus. As the hon. Member for Caerphilly (Mr David) said, the contributions to the debate have been thoughtful and forthright in equal measure. I thank the hon. Members for Mansfield (Mr Meale) and for Edmonton (Mr Love), and my hon. Friends the Members for Enfield, Southgate (Mr Burrowes) and for Hendon (Mr Offord) for their contributions. I also thank my hon. Friend the Member for Finchley and Golders Green (Mike Freer) and the hon. Member for Wansbeck (Ian Lavery) for their interventions.

I welcome the opportunity to discuss Cyprus and I have listened carefully to the points raised during the debate. The Government support a just and lasting settlement on the island. As has been said, that was an important manifesto commitment and a priority recognised in the coalition's programme for Government.

I am sure that the House will agree that the status quo is neither satisfactory nor adequate for any community in Cyprus. Reference has been made to the plight of Greek Cypriots, particularly those in displaced families, and, in fairness, to the isolation and economic underdevelopment of the Turkish Cypriot community. Only a united island within the European Union will provide the long-term peace and security that all Cypriots deserve, as well as bring economic development and prosperity to the region. The hon. Member for Mansfield was right to draw our attention to the tremendous economic opportunities in the eastern Mediterranean, which could be capitalised on to the mutual benefit of all Cypriot communities, of Turkey and of Greece, if a just and lasting settlement can be achieved.

A settlement would enable a generation of people to find a way to close a traumatic chapter in their lives, particularly by addressing the difficult issue of property and the isolation of Turkish Cypriots. I believe that reunification would also provide the space for civil society to flourish in the north and south of the island, and for the leaders of the communities to spend more time helping to find solutions to global issues, and ensure that the Cypriot people as a whole come out of the current global economic downturn well placed to enjoy a prosperous and sustainable future. In my view, those benefits far outweigh the admitted difficulties of the compromises that would be necessary to reach a settlement.

Let there be no doubt that the United Kingdom Government are committed to supporting the ongoing settlement negotiations under the auspices of the United Nations, and particularly of Alexander Downer, which are aimed at achieving a settlement based on a bi-zonal, bi-communal federation with political equality. That political equality must be accorded not only—although most obviously—to the Greek and Turkish Cypriot communities, but to the smaller minorities on the island. My hon. Friend the Member for Enfield, Southgate, chairman of the British-Cyprus all-party group, reminded us of the Maronite community. The position of the Maronite community and its members' entitlement to cultural and religious freedom of expression will be fully resolved only by a comprehensive settlement that reunites the island. The Government support the resolution passed by the Council of Europe in July 2008 that called for additional measures to

"support the revitalisation and promotion of the cultural, religious and linguistic heritage of the Maronites,".

Ian Lavery: Does the Minister agree that not only do we have a moral obligation to support a solution in Cyprus on a one-state basis, but we have a legal obligation based on the treaty of guarantee and the memorandums that we have signed with Cyprus? Does that differ from what he has just said?

Mr Lidington: No, it does not. The hon. Gentleman draws me on to comments that I was about to make.

Far be it from me to criticise a distinguished elder statesman such as the right hon. Member for Blackburn (Mr Straw), but I am happy to make it clear that the Government's position is to support a bi-zonal, bi-communal federation with political equality for a united Cyprus. We do not support partition. As the hon. Member for Wansbeck has said, as one of the guarantor powers, we are bound by treaty not only to resist but to prohibit any step that would lead either to the partition of Cyprus or to its unification with any other country. The new British Government remain in support of that position on the present and future status of Cyprus.

Mr Meale: Does the Minister agree that there would be a great danger if Britain's policy moved away from the one that he has expressed? If we break the treaty signed in the '60s that gave independence to Cyprus, it would break all other parts of the treaty. That could affect the British bases on the island.

Mr Lidington: As a general principle, if one signs and ratifies a treaty, one should stick by its obligations. That is what we intend to do.

Important British interests are at stake in the search for a settlement in Cyprus. The amount of human misery in Cyprus, whichever community we are talking about, would in itself justify making the search for a settlement a political priority; but there are also hard-headed British national interests at stake. Although a peaceful and lasting settlement in Cyprus would not, as others have said, remove all obstacles to Turkish accession to the European Union, it would remove one of the most significant blocks to that process. I believe and the Government believe that Turkish membership of the European Union is in the interests not just of the UK, but of Europe as a whole. A settlement would also make possible the effective co-operation between NATO and the European Union that has been impossible for so many years, because of the stand-off between Turkey and Cyprus over the events of 1974 and what has happened since.

I hope that both sides in the negotiations and especially at the forthcoming meeting in New York can continue to show both flexibility and leadership. The leaders have the full support of the international community and they need to grasp the opportunity to find a solution before that window closes.

Mr Love: One of the concerns expressed widely within Cyprus is that Cyprus is not considered important enough internationally for a solution to be found. In reflection of that, would it not be sensible for the British

[Mr Love]

Government to make greater use of the European Union to try to bring parties together and to pressure all the parties to negotiate, and would it not be much more sensible if the three guarantor powers, of which we are one, met to try to co-ordinate the putting of pressure on the two parties at the negotiations in New York?

Mr Lidington: I would not rule out a meeting of the guarantor powers at some stage, if that would be helpful. The hon. Gentleman reminds me that in his speech he called for vigorous diplomacy on the part of the British Government. I do not dissent from what he said, except that I would add two words of caution. First, by virtue of our history and status as a guarantor power and our possession of the sovereign base areas, we of course have a particular interest in Cyprus and the search for a settlement there; but sometimes, precisely because of our history, we are not necessarily the most welcome source of advice, particularly public advice. Sometimes it is better if others—in this case, the United Nations envoy, Mr Downer—take the lead. It is very important that the negotiations are seen to be, in the end, in the ownership of the Cypriots themselves, because unless there is buy-in from both communities in Cyprus, a settlement will not endure.

Secondly, although the search for a settlement in Cyprus is seen by the Government as an important political priority, the hon. Gentleman will appreciate that in the conduct of foreign affairs, just as in the conduct of domestic politics sometimes, it is best to talk candidly to friends, allies and partners behind closed doors, rather than through a megaphone. We have to suit the technique to the occasion.

Mr Burrowes: May I press the Minister further on the details of the relationship with Turkey? The hand of friendship has gone out from the Prime Minister to Turkey. Will the Minister be able to draw attention to the role that we play in terms of pressing the case for Cyprus?

Mr Lidington: I will come to that very point in a moment. I am grateful to my hon. Friend for reminding me of it. Before I do so, I want to deal with a point that the hon. Member for Caerphilly raised by saying that the coalition Government have maintained the offer made by the previous Labour Government to cede nearly half the sovereign base area territories in the event of an agreed, negotiated solution in Cyprus.

I shall now respond to what my hon. Friend just said. We welcome the support that Turkey has given the settlement process. Prime Minister Erdogan has publicly stated his full support for the Cyprus settlement process on a number of occasions, including in March this year, when he confirmed—this is an important point—Turkey's acceptance of the UN principles under which the process takes place. We regularly discuss all aspects of the Cyprus issue with Turkey. As my hon. Friend the Member for Finchley and Golders Green said in an intervention, my right hon. Friend the Prime Minister did so publicly as well as privately when he visited Turkey earlier this year. Most recently, we raised the subject of Cyprus during President Gül's visit to London last week, and I did so with Turkish Ministers when I attended the Bosphorus conference in Istanbul in October.

Turkey has an important role to play in encouraging the Turkish Cypriots to grasp the opportunity of a settlement and to ensure that the negotiations succeed. A settlement will deliver economic benefits to Turkish Cypriots and end their sense of isolation once and for all, which is a key Turkish objective. A settlement in Cyprus will, we believe, be of great benefit to Turkey as a whole and her ambition eventually to join the European Union.

A number of hon. Members talked about particular aspects of the tragedy that has afflicted Cyprus for more than 30 years. Some referred to the damage done to cultural sites and places of worship. There is no doubt that that damage took place, particularly during 1974 and in the immediate aftermath. I have made note of the points that were made particularly by my hon. Friend the Member for Hendon and by the hon. Member for Paisley and Renfrewshire North about the alleged desecration of cemeteries and church graveyards. I will take advice on how we might raise that issue.

Jim Sheridan: For the record, I point out that I have passed on the photographs that were taken recently at the Morphou rally, which demonstrate the clear indignation caused by the vandalism that has taken place.

Mr Lidington: I understand the point that the hon. Gentleman makes. It is important, as a means of helping to build community reconciliation, that we support confidence-building measures at local level and take account of the reality of the grief still experienced by many individuals and families. Action in respect of the proper treatment of cultural and religious sites and co-operation in the search for missing persons are matters that the British Government take very seriously indeed. We have given particular support to the work of the European Union's Committee on Missing Persons and we donate to its annual budget. As hon. Members know, the CMP has so far found just under 700 sets of human remains, both Greek and Turkish Cypriot.[1]

Mr Love: Will the Minister give way?

Mr Lidington: If the hon. Gentleman will forgive me, I will not, because I am getting very near the end of my time.

I welcome the commitment of the Cypriot leaders from both communities to the current negotiations. Their meeting with UN Secretary-General Ban Ki-moon this Thursday is a positive step, but there is a great deal of further work to do to maintain the momentum and to ensure that the important opportunity to achieve a strong and lasting peace is not lost. These are different from previous negotiations. It is now in the hands of the leaders themselves to reach agreement. I agree that there can be no arbitration or tight deadlines, but a purely open-ended process will not benefit the Cypriots themselves. I urge all parties to engage positively and flexibly in negotiations and to grasp the opportunity to secure the benefits that all communities in Cyprus so richly deserve.

1. *[Official Report, 23 November 2010, Vol. 519, c. 2MC.]*

Yorkshire Water

12.29 pm

Mr Denis MacShane (Rotherham) (Lab): I am pleased to have secured this Adjournment debate on Yorkshire Water and the problem of leakages in the region and in my constituency in particular.

Sometimes, an individual case illuminates the landscape of powerful organisations that, although they may genuinely believe themselves to be working in a responsible, correct and legal manner, do not realise that by a sequence of events and decisions, they end up treating an ordinary—I do not much like that word—citizen of our nation unfairly. This is the story of a little man confronting a giant, powerful conglomerate that is trampling over his rights.

Mr George Georgiou is a British citizen of Cypriot origin who lives in Foljambe road, a modest road in my constituency. He came to Rotherham in 2007 to buy a little fish and chip shop at the bottom of that road, which produces as good a cod and chips as one can get in Rotherham, a town that is widely acknowledged to have the best fish and chip shops in Yorkshire.

There was flooding in other parts of the constituency in 2007. Early in 2008, Yorkshire Water carried out some mains work at the top of Mr. Georgiou's road. Ever since, he has experienced flooding in his basement. He lives at the foot of the road, which is about 200 or 300 yards long. When the water goes downhill from any mains, it ends up in his basement.

To set the scene, Yorkshire Water is the monopoly utility supplier of water in the region. It wields its monopoly power from a product that falls for free from the sky. It makes handsome profits; last year it made £116 million. It operates in a closed market with no competition, and it pays its top executives well. Its chairman, Kevin Whiteman, to whom I shall return, was paid a little short of £500,000 last year. Despite the profits and the pay of its bosses, Yorkshire Water has the worst performance on leakage of any water company in Britain. Ofwat last week condemned the firm for losing 295 million litres a day through leakages last year. Some of that 295 million litres has flooded the basement of my constituent's home.

For nearly three years, Mr Georgiou has, with my help, asked Yorkshire Water to accept its responsibilities. That giant monopoly has treated a man who is struggling to keep his head above water—almost literally—and his business alive with nothing short of contempt. Following the classic behaviour of the bully, the more that Mr Georgiou has protested, the more the bullying has increased.

Mr Georgiou has had to install a pump in the basement of his house and shop, as if it were a ship of Nelson's time that needed continuous pumping to keep it dry. He hardly dares to leave his home for the fear that the water may rise and cause an electrical short. It is surreal to go into a modest home at the foot of a road in Rotherham and find, beneath a ground-floor fish and chip shop, the steady ingress of water, with a pump working away and buckets present day and night.

Like all water companies, Yorkshire Water has a statutory duty to repair and prevent leaks. Instead of so doing, it has come up with excuse after excuse to explain why the water in Mr Georgiou's home is nothing to do with it. I have here a huge file of letters, which make up a kind of comedy. Yorkshire Water explains that the land around Mr Georgiou's house is damp. Well, it is damp in the winter when it rains and dry in the summer when it does not rain. The correspondence then states that it is drains water and that other homes have been affected. That shows a tenuous connection with truth, given that neighbours and previous inhabitants of 69 Foljambe road confirm that it is as dry as any other home, save for when the rain becomes so torrential that all Rotherham is damp for days afterwards.

I will not burden the Chamber by reading out the whole correspondence, but I will quote from Yorkshire Water's own assessment:

> "Some of the cellar water examples are in the range expected of mains water".

It then quotes from the Yorkshire Water excuse book, as written by its Czech consultant, one Mr Kafka:

> "because it is possible to propose other explanations of certain sample results does not mean that these other explanations are true."

I have tried to work my head around that statement, of which the former US Secretary of State for Defence, Mr Rumsfeld, might have been proud. In plain English, Yorkshire Water was saying that anything that it says is true and anything that one of its clients says, even on the basis of independent advice, can be ignored.

Mr Georgiou is a determined and reasonable man. From his e-mails, it is clear that he is not the cross constituent whom all hon. Members know only too well. He has sought advice from and sent samples to outside experts and assessors. They have all come back and said that they think it is mains water from Yorkshire Water. At his own expense, Mr Georgiou has had his basement and the land around it dug up in search of the water leak. Yorkshire Water insists that he is responsible for the leak because it has nothing to do with water at the foot of Foljambe road.

In a letter dated 6 October 2008, Mr Trevor Craddy of Yorkshire Water complains about Mr Georgiou having hired a private plumber, at his own expense, to dig up the land to find where the water was coming from:

> "One would have expected that the private plumber having been unable to find a leak would have stopped digging at that point."

To stop digging is advice that Yorkshire Water might well have taken. For a small amount of money in relation to the firm's profits and salary levels, it could have tanked the cellar and helped Mr Georgiou to focus on his fish and chips, rather than making him into a Rotherham David taking on the Goliath of this unaccountable, rich monopoly.

The environmental health department of Rotherham metropolitan borough council has investigated the leak and has shown that the water does not come from its pipes. All I have sought to do is to help my constituent, in a classic example of what an MP does at the constituency level. I have no axe to grind against Yorkshire Water; it is a good company in many ways, save for the wretched problem of endless leaks. I have secured this debate to ask the Minister to examine why it is that there is no effective mechanism to hold to account such powerful, rich monopolies. They have a licence to make money and pay pharaonic executive salaries, beyond public

[Mr Denis MacShane]

control or accountability. Ofwat appears to be powerless—we have written to it. Rotherham council is powerless. The Consumer Council for Water is helpless.

On 17 November 2008, Mr David Freeman of the Consumer Council for Water in Yorkshire wrote:

"We do not feel able to tell Mr Georgiou that we are satisfied that the problem is not mains water".

That double negative flatly contradicts the constant line from Yorkshire Water that the water that is constantly going into Mr Georgiou's home, that is making his life a misery and that is stopping him from developing his small business, has nothing to do with it. The Consumer Council for Water, like Ofwat, has no power to compel Yorkshire Water to behave responsibly.

I have tried to work with the company. I have had several conversations with Kevin Whiteman, who was Yorkshire Water's chief executive officer and is now its chairman. In summer 2009, he agreed to make a joint visit to Mr Georgiou's home, but that never happened. In what I thought was a reasonable way forward, he agreed to arbitration. I recommended that warmly to Mr Georgiou. Naturally, Mr Georgiou wanted his team of experts to discuss the matter with Yorkshire Water's experts. One does not go into an arbitration by oneself to face a giant company that has a battery of scientists, technicians, lawyers and public relations people. Mr Georgiou and I said to Mr Whiteman that we would go to arbitration. We laid out the issues that we thought needed to be discussed, presented our papers and notified him of our team of expert witnesses.

Suddenly, however, Yorkshire Water and Mr Whiteman withdrew their offer of arbitration. I cannot, in my 16 years as an MP, remember such an example of bad faith and breach of trust by the CEO of a powerful monopoly. He offered arbitration, but the moment it was clear that arbitration would not deliver the result he wanted, he withdrew it. To withdraw that offer of arbitration, made to me and which I persuaded Mr Georgiou to accept, shows an indifference to fair play and to a basic level of respect for a British citizen who has nowhere else to go if he wants his water delivered—Yorkshire Water is, of course, a monopoly supplier.

That is why I have sought this Adjournment debate. I want to send a message to Yorkshire Water, on behalf of all the residents of Yorkshire, that the loss of 295 million litres a day from its pipes is not acceptable. The company and industry were privatised more than two decades ago. At the time, we were told that the companies had to take over from municipal water works engineers, who were just paid ordinary salaries, and that a shareholding structure with a board of directors and non-executive directors, and paying the chief executive and the chairman loads of money, would improve things. Yet here we are, 20 years later, and the leakage rate is as bad as ever, which is a huge waste of a precious resource when we are worrying about water shortages across the world and, frankly, not the best of tributes to the notion that privatisation of a monopoly public utility is the magic solution to making companies really efficient.

I sought an Adjournment debate with reluctance. I had obtained one some months ago, but withdrew it, because I still wanted Yorkshire Water and Mr Georgiou to come together and find a deal. I could not believe that the thousands of pounds of investigations, documents, technicians, lawyers and staff hours spent saying no to this man could possibly be justified. For probably a 10th of the collective money spent by Yorkshire Water in denying him his rights, it could have tanked the cellar and made good the problem.

All right hon. and hon. Members deal daily with difficult cases and we make our representations as best we can. However, I have never come across such a shocking example of the mistreatment of an individual without any resources or private wealth. The entire bureaucracy of Yorkshire Water has been deployed against Mr Georgiou. All he wants is for the firm to accept its clear responsibility and duty so he can carry on his business without manning the pumps in his cellar all the time.

I do not have time to read out all the letters and reports cranked out by Yorkshire Water as it spent thousands of pounds and hour upon hour of its employees' time in order to crush Mr Georgiou. Instead of producing his fish and chips, he has had to engage in this lonely battle for justice. The latest twist to the tale is a county court civil case—again, Yorkshire Water would rather spend a fortune on lawyers than simply accept its responsibility.

I finish, frankly, in despair. The Minister is a decent man and, as a constituency MP, he can probably tell other dire stories of how powerful, unaccountable monopolies trample over the rights of citizens. He has no executive powers, as a Minister, to compel Yorkshire Water to do anything. I do not know if the new Government's ideas of localism or the big society can alter the balance of power between the citizen and the monopoly or quasi-monopoly companies, which have so much power without responsibility in our land.

I regret having to bring the matter to the attention of the House—I do not want a war of words with Yorkshire Water—but my duty to my constituent is clear. I hope that Mr Georgiou can feel at least that his Parliament and MP can be voices against what I believe is a great wrong done to him. I am grateful to have had the privilege of securing this Adjournment debate today.

12.44 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I start by congratulating the right hon. Member for Rotherham (Mr MacShane) on securing the debate. Without commenting on his specific case, I also congratulate him on fulfilling the House's fine tradition of right hon. and hon. Members standing up for their constituents when they feel they have been wronged. It might have been a tad easier to give the right hon. Gentleman a fuller response had I known he would raise that specific case, but I will do my best to talk about it. In my early remarks, I will set that case in context.

The control of leakage from water company distribution networks is a vital component in maintaining an adequate supply-demand balance in the supply of water. The failure of some water companies consistently to meet leakage targets undermines efforts to convince customers to adopt water-efficient behaviours. It is clear from the views expressed in the current water White Paper online

survey that leakage is an issue held in high importance by the public, not just in the right hon. Gentleman's constituency but across the country.

The failure of some companies to meet annual leakage targets reflects badly on the generally good performance on leakage—that is why I would take slight issue with the right hon. Gentleman. He said that we are where we were 20 years ago, but there has been considerable improvement. It is not my job to defend or to be the voice of any water companies. If anything, my job is to ensure that a fair deal is being achieved by the consumer. However, we want to be accurate in dealing with leakage—it is not where we would like it to be, but we are moving in the right direction, and a number of different factors are involved. I will talk about some of those factors in a moment.

The latest figures show that leakage has reduced by more than a third since its peak in 1994-95—a reduction of 1,837 megalitres per day, equivalent to the daily needs of more than 12 million domestic customers. Between now and 2015, the target leakage in England and Wales is due to fall by a further 97 megalitres per day.

At this stage, it is useful to remember that fixing leaks can be costly—that is no excuse for it not happening, but it can be costly. Customers have told Ofwat, the independent regulator, that they do not want to see large rises in bills to reduce leakage, and, clearly, the serious disruption caused by digging up streets must be considered.

Companies are now reaching a level of leakage at which the extra costs associated with repairing leaks—in terms of manpower, materials, fuel, carbon emissions and so on—are equal to the costs of producing the water that is leaking. That is not to say that we should not redouble our efforts—of course we should—but we should see them in the full balance of what we are seeking for a modernised water company through the current review process.

The water companies report their leakage performance annually to Ofwat. When Ofwat assesses a company's performance against leakage targets, any decisive external events are taken into account. The prolonged cold winter we experienced last winter presented a challenge to the water companies in managing an increase in burst mains and in minimising interruptions to consumers. The coldest winter for more than 30 years had different impacts on networks across England and Wales. All companies reported high numbers of burst pipes over that period because of ground movement caused by freezes and thaws—I am not saying that that is in any way related to the particular case referred to by the right hon. Gentleman. In addition, snow cover for longer than normal made it more difficult for the companies to find and repair their leaking pipes.

Ofwat's primary consideration when deciding what action to take against a company that fails its leakage targets is whether the target failure affects customers' security of supply. Does the increased leakage mean a higher risk of restrictions on customers' use of water? A leakage target failure would be considered much more serious were it to jeopardise water supplies to customers. Ofwat's policy for assessing leakage failures takes account of a company's performance over a three-year period, and it does not automatically take regulatory action after a single year's failure.

A range of options is available to Ofwat. The right hon. Gentleman said that it was powerless—I will come on to talk about his specific case—but Ofwat can act against a water company that is failing on leakages. For example, in 2006 Ofwat used its powers to secure an undertaking from Thames Water in response to a failure to meet leakage targets. Since then, Thames Water has reduced leakage by more than 190 megalitres a day. It achieved that by spending approximately £150 million of shareholders' money, not by putting the cost on its bills. That is one tool that can be used to bear down on the problem.

During last winter's cold weather, Yorkshire Water experienced an increased number of burst mains, and the same happened across the country. This is the first time the company has failed a leakage target since targets became mandatory in 1998-99. Since 1995, when the company received significant negative media coverage after the drought of that year, it has renewed more than 2,800 km of water mains. The right hon. Gentleman made some grudging, but nevertheless generous comments about the company's performance on some issues, grinding his teeth as he did about pay issues, and I completely understand. As I say, however, I am here not to be the voice of the water companies or the regulator, but to make sure that the consumer gets the best deal.

On the circumstances of the case the right hon. Gentleman described, I must be extremely careful, because I understand—he may differ—that it is now the subject of legal proceedings. I will therefore have to be extremely guarded in the words that I use, and he will be able to correct me if the information I have is wrong.

As the right hon. Gentleman said, his constituent, Mr Georgiou, has experienced long-term, chronic ingress of water into his cellar—that is not disputed. He made a complaint to Yorkshire Water, which was not resolved to his satisfaction. The Consumer Council for Water became involved and supported Mr Georgiou in the processing of his complaint.

I will not reiterate the details of the case because the right hon. Gentleman has laid them before us, but I will answer some of his specific points. He said that the consumer council was unable to force Yorkshire Water to act, and he is absolutely right that it does not have the power to force a water company to take action. Nor is it in a position to determine liability in such cases. However, it does have powers to obtain any information required to ensure that customers' complaints have been handled appropriately. My understanding is that it supported Mr Georgiou in getting the information that he required. A review of how the consumer council handled the case is being carried out by the regional chair, who will look carefully at these issues.

The right hon. Gentleman has a further opportunity to raise this matter through the parliamentary ombudsman on behalf of his constituent. He says that Ofwat has no specific powers to resolve this complaint, and he is right that it does not have the power to resolve complaints about liability in such cases. It appears the case has reached the point where it is the subject of legal proceedings. I would very much like to be able to say more, but I am informed that that could prejudice those proceedings.

Mr MacShane: The Minister is being extraordinarily fair and decent about this case. Nothing would give Mr Georgiou and me greater pleasure than not to have

[Mr MacShane]

to proceed to a county court case, but to settle this matter modestly, cleanly and quickly now. As a result of this debate, I hope that Yorkshire Water might take that on board.

Richard Benyon: That is a very reasonable comment.

I started by saying that the House offers hon. Members the ability to stand up for people who feel, rightly or wrongly—this may be their perception or the reality—that they have been done down by a large company, bureaucracy or organisation, and it is entirely right that hon. Members have that ability.

On the exact rights and wrongs of this case, I have the right hon. Gentleman's word, which I entirely endorse as correct. However, when such matters are dealt with in legal proceedings, other factors are sometimes brought in, and it would be entirely wrong for me to pass comment at this stage. None the less, the right hon. Gentleman's comments are on the record. His persistence on behalf of his constituent is not only on the record of the House, but visible to those of us in the Chamber in the form of the file sitting on the desk in front of him. I assure him that if I can assist further without prejudicing legal proceedings in any way, I will, of course, be happy to talk to him.

12.54 pm

Sitting suspended.

Nuclear Power (Dungeness)

12.57 pm

Damian Collins (Folkestone and Hythe) (Con): I want to pay tribute at the start of this debate to Councillor Willie Richardson, who represented Romney Marsh and Dungeness at Kent county council and Shepway district council. He was a great advocate of Dungeness and a supporter of nuclear power there. Sadly, Willie died last week, and his funeral will be held tomorrow in Lydd. He would have taken a great interest in today's debate.

Dungeness nuclear power station has been an important part of the economy of my constituency for a number of years. The A station was given the go-ahead by the Minister for Power in 1959. In the deliberations before that decision, careful consideration was given to not only the need for new sources of energy to supply the national grid, but the unique environment of Dungeness.

Dungeness is a peninsula made largely of flint shingle that has built up over the centuries. It is one of the largest peninsulas of its kind in the world and the largest in Europe. It is right that it receives protection and special designation, as it has for many years, but it is also a working community, and people rely on the jobs that come from that community and, increasingly, from the nuclear power station.

The story of the success of Dungeness as a community involves the management and effective support of a brittle habitat and environment, with nature and man working successfully in partnership. Many would say that the arrival of nuclear power at Dungeness in the 1960s and 1970s has done a lot to underpin the important environmental work that has been done there. Indeed, some of the habitats, plants and wildlife that now exist at Dungeness would probably not be there were it not for the human intervention required to support and sustain the nuclear industry at Dungeness.

During the Government's consultation on new nuclear sites, as part of the national policy statement on energy, there were considerable representations from my constituents, Shepway council and Kent county council about the economic importance of nuclear power at Dungeness. Approximately one in 10 jobs in Romney Marsh is linked, directly or indirectly, to the power station. It is estimated that Dungeness B station, the one that is currently in operation producing energy, puts about £20 million a year into the local economy. Without that continued investment and the continued presence of nuclear power it is hard to see how we could make up the shortfall. It is primarily for that reason that there has continued to be considerable support from the community for nuclear power at Dungeness, and for a C station—a new generation of nuclear power to replace Dungeness B when it stops production in the late 20-teens or in the 2020s. It is an important part of the local economy and we do not think we could live without it.

I believe that Dungeness could also play an important part in meeting the country's energy needs. The Minister and his colleagues have spoken before about the need to keep the lights on and said that to do that we need new sources of energy production. The national policy statement on energy and the search for new nuclear sites is at the heart of that decision-making process. If we are not to be reliant on imported energy, whether gas from Russia

or—particularly pertinent in my constituency—nuclear power from just across the sea in France, we need new sources of energy production. We believe that Dungeness is potentially an important new site for nuclear power and new energy.

These opening remarks set the context of the issue and its importance for my constituency. The matter has so far been considered by the Government through their consultations on the national policy statement. I do not want to go over old ground, but shall focus instead on some of the results in the recent report and update on the consultation, which the Government published last month. I was very disappointed, as were my constituents, that Dungeness was not included in the list of preferred sites in the national policy statement. It was on the previous Government's original longlist of 11 sites, but last year that was reduced to 10, with Dungeness being removed. The list has now been reduced to eight approved sites, with three sites not approved within the national policy statement for the building of new nuclear sites to be completed by 2025.

I acknowledge that the Government's report says many positive things about Dungeness. In particular it highlights the fact that Dungeness remains in many ways a credible site for deployment by 2025, and my constituents take considerable heart from that. However, the issue with the power station has been the objections, primarily from Natural England, that allowing a new power station to be built at Dungeness would be in contravention of the designations of the site, particularly those that were brought in through the EU habitats directive. There is legal protection for the site. I want to examine some of the issues relating to that protection, in response to the Government's consultation.

First, the Government said in their consultation—I am quoting the site report for Dungeness:

> "Given the nature of the issues at Dungeness, it may be easier to ascertain that there will not be adverse effects on the integrity of the SAC at the detailed project level of an application for development consent."

The Government talk at some length in the site report for Dungeness about the fact that, even if the site is not included in the national policy statement, a developer and energy company could come forward with proposals that could go to the planning commission and ultimately to the Secretary of State for approval. Unfortunately there is a barrier to that process even being started, or to reaching the Government's recommendation that perhaps, at that more detailed planning stage, it is possible to ascertain whether there can be mitigation of the loss of habitats and sites at Dungeness that will come from building a new power station. However, unless the site is included in the national policy statement, no energy company will be prepared to take such a risk, given the uncertainty about the detailed cost and the great expense involved in taking a nuclear power station proposal into the planning system, if it is not even clear in the Government's national policy statement that they consider it to be a site that could be delivered.

Following the Government's guidance in their own site report for Dungeness, could some consideration be given to including Dungeness in the national policy statement, while continuing to cite the Government's reservations about loss of habitats, and stating that those would need to be considered and resolved at the planning stage, before the Secretary of State could give approval? If the Government were prepared to make that concession, an energy company might consider the site seriously and think about how a proposal could be taken forward, and the objections overcome.

Many people in my constituency would like Natural England's objections to be examined more thoroughly. They relate primarily to designations protecting the rare vegetation on the shingle at Dungeness. It is a particularly important site and areas of the land would be lost. However, a new nuclear power station would directly affect only about 1% of the land of the entire special protection area and special area of conservation at Dungeness, so some of us would question whether it is true that a new power station would damage the integrity of the whole site. In relation to the European regulation, that is what should be considered—not necessarily the direct loss of one piece of land, but whether the integrity of the whole site there would be compromised.

Anyone who visits Dungeness A and B stations and looks carefully at the site can see the area of land that was laid out and prepared in advance, in the belief that a C station would come at some future point. It is very clear where the station would go. That land was, largely, disturbed when Dungeness B station was built. It has been protected and fenced in for 30 years or so since that time, and in that time the shingle has reverted to the appearance and the kind of habitat that was there before the station was built. It is believed that some of the plant life and vegetation has returned to the shingle, and that some of the insect life that existed at Dungeness before the B station was built has also returned.

I think that the return of the habitat should be carefully studied, to see whether the vegetated shingle at Dungeness is somewhat more robust than has been believed. Residents of Dungeness and Willie Richardson, when I saw him two weeks ago, have made the point that those who have lived in the community all their lives know that new vegetation springs up. Perhaps it is not such a delicate flower, but a slightly more robust species, albeit that the environment is one where many would find it hard to imagine plant life could grow. It grows and it returns, and that should be considered. The vegetated shingle at Dungeness may seem like a small point, but the jobs of thousands of people in my constituency and in East Sussex hang in the balance because of the interpretation of the regulations affecting the site. That creates a restriction on our ability to build a new station there.

The Government can also set aside consideration of the European regulations on habitats if they believe that there is an overriding national interest that allows them to do so. Indeed, for a number of the eight sites with which the Government are proceeding, they have made exactly that case and said that the national interest is such that development should be allowed. We would like that to happen at Dungeness as well.

The argument has been made that eight other sites can be developed first and that therefore Dungeness should wait. That seems incredible to us. If there is a good case for building the station, why should we wait for other sites to be built before we carry on and build it? Why not say that to proceed with nine sites would be entirely consistent with our view of our energy need? The Dungeness site could be developed before some of the other eight that the Government are considering. If

[Damian Collins]

they are prepared to say that there are national interest grounds for allowing the other sites to be developed, why not do the same with Dungeness?

Other countries have been in the same position and allowed national interest to take precedence over the environmental provisions, because they have thought it was the right thing for them. One example in a report submitted to the Government was Baden-Baden airport, where the German Government said that the site needed to be developed. The Government, in considering that, have said that there were not necessarily alternative sites, and that was only one airport site in one location; but no one would pretend that Baden-Baden airport is the lynchpin of the German aviation system or its primary hub airport. The German Government made a discretionary decision to allow that airport to go ahead, and we are asking the British Government to consider a similar case for Dungeness power station.

I have also investigated whether there is a good case for the national grid to have a feed-in point from a new nuclear power station at Dungeness. It is unique among all the nuclear sites that the Government have been considering in being south-east of London and in an area of high energy demand. The new power station would easily supply enough electricity to power the entirety of Kent, and more. There is an imbalance in the energy system. We need more energy coming in from the south. I contacted National Grid to ask its opinion and was told that the charges for connections to the grid are substantially lower in the south-east and on the south coast than in other energy-generating areas such as Scotland—particularly the north of Scotland. In a letter to me, the company said:

> "It is more favourable for prospective new generation connecting to our network to locate in the lower cost charging zones, including the South and South East, thereby minimising transmission investment requirements."

Do the Government not consider it part of the national interest that, in these difficult times, a good economic case can be made for locating a new power station closer to the area of greatest energy demand, particularly one that can be delivered relatively quickly?

The debate on whether Dungeness power station goes forward is based not on whether the local people are for it or against it. They are overwhelmingly in favour. Indeed, in general remarks made earlier in the year about where new stations should go, the Secretary of State said that consideration should be given to whether they can be built alongside existing nuclear sites and whether there is strong local support. Dungeness meets both criteria. It is not that Dungeness should not go forward simply because the Government believe that it is not a credible site or that it could not be delivered before 2025. It is and could be, and that was clearly stated in the Government's site report. It is not that Dungeness should not go forward because the country does not need new energy capacity. We do, and the Government noted in the site report that the question is whether environmental decisions mean that Dungeness could not be delivered now, not that it could never be delivered.

We return to the environmental and habitat regulations. For many of my constituents, that brings up important questions of how our laws work and the way in which those laws control how we are governed. The regulations were brought into British law as an EU directive. When they were introduced, there was no debate and no local consultation on what they might mean. No one realised that it would effectively result in a block veto on a new power station at Dungeness. It is now years since we went through the process, however, and that is where we are.

I cannot believe that the Government truly knew of the extent of the regulations. Why would Dungeness have been included in the consultation longlist of the original 11 sites if the Government believed that it could never be deployed? That poses considerable questions about the way in which we are governed. The regulations, interpreted by the Government's advisers, can ignore the views of local people, local councils, Members of Parliament, and perhaps even the private views of Ministers and others in the House. Instead, the regulations take precedence even when no one wants them.

We are left having to fight for something that I believe should be relatively straightforward. However, it is a fight that I am determined to pursue on behalf of my constituents, as many of their livelihoods depend on a new nuclear power station at Dungeness.

1.12 pm

The Minister of State, Department of Energy and Climate Change (Gregory Barker): I congratulate my hon. Friend the Member for Folkestone and Hythe (Damian Collins) on securing this debate. He is a great champion of Dungeness and, indeed, of the whole Romney Marsh area, which is in his constituency. I know that this debate is only the latest of his efforts to fight for his constituents, and I have no doubt that he will continue. My constituency of Bexhill and Battle is adjacent to Romney Marsh, so I know a little of the area. Indeed, I have ridden over it a number of times. It is a spectacular and wonderful part of the country. It is very special.

The debate is important, and my hon. Friend has raised some serious questions. I shall endeavour to respond to them. The Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Wealden (Charles Hendry), who usually deals with nuclear energy matters, is unable to be here, so I speak for him today.

Damian Collins: Speaking of our hon. Friend, I should make it clear that he has offered to meet me separately. I shall be happy to take him up on that offer.

Gregory Barker: There are a number of points of detail that could probably be best advanced in a meeting rather than in debate, and I know that my colleague will be keen to pursue them.

I start by setting out the context for the coalition's energy policy. The United Kingdom needs a robust mix of all types of clean energy assets—including, as my hon. Friend made clear, new nuclear power stations. We need such a policy in order to achieve the twin goals of energy security and dramatically reduced greenhouse gas emissions. Indeed, we wish to decarbonise the whole energy sector by the mid-2030s. As a result, we will need nuclear power.

Nuclear power is a proven low-carbon technology, and it is anticipated that it will play an increasingly important role as we diversify and decarbonise our

sources of electricity. Failure to decarbonise and diversify could result in the UK becoming locked into a system of high-carbon generation, which would make it difficult and expensive to meet our 2050 emissions targets.

The nuclear power station at Dungeness has been generating low-carbon electricity for decades, for which we are extremely grateful. We have seen decades of service from the communities at Dungeness, Romney Marsh and the wider area, sometimes from the same families. I understand their concern about the loss of active generating capacity there and their strong interest in seeing a new build. That is perfectly understandable.

My hon. Friend suggests that we should think of the impact on the local economy. As he knows, we assessed sites against criteria that were consulted upon publicly. However, the criteria themselves do not directly cover the economic impact. That does not mean that economic factors are not important, and the accompanying appraisal of sustainability considered the impact of new nuclear power stations on surrounding areas. It noted that employment in the Shepway district council area is lower than the national average, and that a new nuclear power station at Dungeness would bring economic benefits to the area. Unfortunately, Dungeness failed one of the discretionary criteria, and we believe that there are better alternative sites.

The key is obviously planning. In the coming decades, we will need a substantial amount of new, local carbon-energy infrastructure, but it must be built in the right places. To help in this, the Government want a planning system for major infrastructure that is rapid and predictable, but still accountable. We announced our intention to abolish the Infrastructure Planning Commission and to move its expertise into a new major infrastructure planning unit, which will be part of the Planning Inspectorate. Consents for major infrastructure projects will be decided by Ministers, who are accountable to Parliament, and based on recommendations from MIPU. That will ensure that decisions are made by those who are democratically elected.

Planning decisions should be taken within a clear policy framework to make them as transparent as possible. The energy national policy statements, ratified by Parliament, will be a blueprint for decision making on applications for development consent for the relevant types of infrastructure. National policy statements will set out Government policy, so that the matter does not need to be reopened for each application, which is what led to delays in the past. National policy statements should also help applicants by giving greater clarity about matters that will be taken into account in making a decision. Our energy national policy statements are currently being consulted on, with the consultation ending on 24 January 2011. The national policy statements will also be scrutinised by Parliament: as set out in the coalition agreement, they will be put before Parliament for ratification.

The nuclear national policy statement identifies sites that the Government consider potentially suitable for the deployment of a new nuclear power station by the end of 2025. That will reduce speculation about where new nuclear power stations may go, and it will allow public engagement and national debate at an early stage in the process. Eight sites are listed. They have been assessed using a process and criteria that were consulted upon in 2008. The assessment was informed through an appraisal of sustainability and a habitats regulations assessment. It was also informed through the input of specialists, such as the regulators and the public and energy companies. After careful consideration, the nominated site at Dungeness, along with sites at Braystones and Kirksanton in Cumbria, were found not to be suitable.

I really do understand the concerns that have been raised by my hon. Friend about our not listing Dungeness. Responses to the consultation on the draft nuclear NPS illustrated the strength of feeling about the importance of Dungeness to local people and, in particular, to the local economy. However, after careful consideration of all the responses, including those from the local authority and EDF Energy, the conclusion has not changed.

None the less, I will preface my explanation with a reminder that we are currently consulting on a revised draft of the nuclear NPS and we will, of course, consider any new evidence that we receive. If my hon. Friend is able to bring forward new compelling evidence and can marshal that evidence, we would be receptive to it and he should certainly discuss that point when he meets my ministerial colleague, my hon. Friend the Member for Wealden. However, the bottom line is that, to date, we have not seen any evidence that is sufficient to take us in a different direction.

Let me say why we have decided, on balance, that Dungeness should be excluded. Dungeness actually passed all but one of the assessment criteria, so I understand that the local community will have a heightened sense of disappointment, given that Dungeness came quite close to being listed. However, Dungeness did not pass the criterion on internationally designated sites of ecological importance. I also have to say that we have concerns about whether the site could be protected from flooding and coastal erosion.

Damian Collins: The Minister makes an important point about flood risk. However, it is true to say that the nuclear site at Dungeness will have to be protected to support the decommissioning of the A and B stations, and the life and decommissioning of the C station will probably take place within that period.

Gregory Barker: That is a perfectly valid point. Nevertheless, there are concerns about the potential defence of the site, particularly given the advent of climate change and the sea-level rises that are due along that whole stretch of coastline.

However, the criterion on which the site failed really centred on the effects on ecological sites that are designated at the highest European level for their ecological importance. As my hon. Friend said, the assessment was carried out in line with the requirements of the habitats directive, which protects such sites.

Dungeness failed because we do not believe that a new nuclear power station could be built there without causing adverse impacts on the integrity of the Dungeness special area of conservation or that adverse impacts could be avoided or even substantially mitigated. Dungeness is the only nominated site that overlaps with a European designated site to such an extent that the avoidance of adverse effects is not possible. Furthermore, it is not considered that mitigation of the effects of direct land take is possible.

[Gregory Barker]

My hon. Friend raised the entirely legitimate point that there would actually be a very small amount of encroachment by any new site at Dungeness, and he asked if a smaller site would be acceptable. However, the fact of the matter is that changes on a small amount of land take do not necessarily have an equally small environmental impact. There are other important factors to consider, such as the sensitivity of the receiving environment. The assessment of Dungeness identifies the SAC as a most sensitive area. Natural England's advice is that even a small area of land take may be deemed to have an adverse effect and that there are no minimum extents defined for whether an adverse effect would occur.

Our conclusion is that, even if a small "footprint" were taken, an adverse effect could not be ruled out, mitigation of any such effect would not be possible, and it would be very difficult to compensate for any such effect, due to the lack of a proven or accepted methodology for providing compensation, a lack of areas that are suitable or sufficient in size for habitat creation, the active role that coastal processes play in maintaining the shingle habitats and the time that it takes shingle vegetation communities to establish themselves successfully.

Damian Collins: In the site report that the Government produced for Dungeness, there is a helpful page of summary of the concerns regarding the D6 criteria. The report notes that some concerns exist:

"due to lack of alternative shingle habitat in the area"

As my hon. Friend the Minister will probably know, because he knows this particular part of the country, there is an awful lot of shingle there and I think that that is an argument that people have difficulty with.

Gregory Barker: My hon. Friend makes his point very clearly.

The Dungeness SAC is considered to be the most important shingle site in Europe and in fact it is one of the largest shingle expanses in the world. England has a significant proportion of the European total of vegetated shingle and the largest example of a shingle beach in England is at Dungeness, which is approximately 1,600 hectares in size and made up of ice age flint deposits. The pattern of shingle ridges at this site has built up over 5,000 years.

The buried and exposed shingle ridges at Dungeness are exceptional for the succession of unique shingle habitats that they support, as they demonstrate the evolution of such habitats. There are small depression features in the shingle structure at Dungeness, known as open pits, which are thought to be unique in the UK. The shingle also supports fen and open water communities and a large and viable population of great crested newts, which form part of the SAC designation. The site is considered to be one of the best areas in the UK and one of the most diverse and extensive examples of stable vegetated shingle in Europe.

Under the regulations that protect such sites, plans for development that are likely to have significant effects, such as the nuclear NPS, can be adopted only where the relevant authority, which in this case is the Secretary of State, is satisfied that there will be no adverse effects on the integrity of the protected site. As I have said, following consideration of responses received during the consultation, to date we remain of the view that a new nuclear power station cannot be built at Dungeness without having an adverse effect on the integrity of the Dungeness SAC.

Where such adverse effects cannot be ruled out, a site can be included in the NPS only if there are no alternative solutions; if there are imperative reasons of overriding public interest, which is a test that must be made under the habitats directive, and if effective compensation can be made. Our assessment has found that at the eight sites on the revised draft nuclear NPS there is potential for adverse effects on the integrity of Natura 2000 sites to be avoided or mitigated. Therefore, those eight sites are alternatives to Dungeness that meet the requirements of the habitats directive, as they better respect the integrity of Natura 2000 sites. I therefore have to say that, given the particular adverse effects in relation to Dungeness and the availability of the other eight sites to contribute towards meeting the need for nuclear-generating stations, the Government do not consider that listing Dungeness is justified. The assessment has also found that it would be difficult to compensate for adverse effects, such as direct habitat loss.

I know that that will come as a disappointment to my hon. Friend, but I also know that he will continue with his campaign. I assure him that, although I have given him our clear and stated view today, we remain open to new evidence.

Sustainable Communities Act 2007

1.28 pm

Martin Caton (Gower) (Lab): It is a great pleasure to serve under your chairmanship this afternoon, Mr Turner.

Back in 2007, I was one of the sponsors of the Sustainable Communities Bill, which was so ably steered through its various stages by the hon. Member for Ruislip, Northwood and Pinner (Mr Hurd), who is now a Parliamentary Secretary in the Cabinet Office. I know that he would agree that the Sustainable Communities Act 2007 is rightfully the legitimate offspring of more than 120 national organisations, which came together under the umbrella of Local Works.

Pressure for the Act came out of the experience of people up and down this country who had watched their communities decline over the years and who recognised what that meant for their quality of life. At the heart of the problem was the loss of key local services. There was the closure of a fifth of the post office network in just a decade, and the loss of a quarter of our local grocery stores; also, a fifth of local bank branches went over that same time frame. More than 30,000 community retailers were painted out of the picture.

However, that process was not just about the high street or the village store, but about the quality of our public spaces and the run-down of community halls, community centres and children's playgrounds. In addition, it was about recognising that losing community resources is not only bad for the local environment but impacts on the bigger picture, as it forces people to travel further and further from home to gain access to what used to be on their doorsteps. At the same time, Local Works and its contingent parts observed our country's increasing disengagement with politics, while also picking up the message that people are prepared to re-engage and get involved if they believe they can make a difference by doing so.

The philosophy behind the drive for what became the Sustainable Communities Act 2007 is simple. First, community decline is a national and ongoing problem, and it will clearly worsen if nothing is done. Secondly, in most instances, the best efforts of local citizens and communities will not be enough to reverse the trend, so Government must help. However, communities are the experts on local problems and the solutions to them, so Government actions must be directed by communities and not central diktat. What was needed was a mechanism by which local people could drive Government action to reverse community decline and promote local sustainability. The Act was and is the vehicle for doing so.

I have said that the Act is the baby of the Local Works coalition. So it is, and I congratulate the coalition, but we should remember that the gestation period was very long and that a succession of hon. Members volunteered to act as midwife along the way. Essentially the same legislation was promoted by Julia Goldsworthy, by the hon. Member for Bexhill and Battle (Gregory Barker), now Minister of State at the Department of Energy and Climate Change, and by the much-missed David Drew, then MP for Stroud. That demonstrates the cross-party nature of support for the legislation, just as early-day motion signatures and attendance at the Second Reading debate in 2007 demonstrated the strength and depth of that support in all parties.

One thing that united MPs with the organisations and communities so actively campaigning on the issue was the determination that the Act should not be just another consultation exercise. Of course consultation has a valuable place in our political development, but to reverse community decline, we needed something that delivered rather more. The Act sets in law for the first time a bottom-up process in which central Government have a duty to co-operate and reach agreement with the designated selector, the Local Government Association, on which proposals for Government action made by communities and councils will be implemented.

What has happened since the passing of the Act? In October 2008, the previous Government launched the first invitation of proposals. Local Works responded by holding more public meetings across the country, and organisations, communities and individuals lobbied their councils to resolve to use the Act. Some 100 local authorities responded, and in partnership with their communities they drew up 300 proposals for Government action and submitted them to the Local Government Association by the end of July 2009.

The scope and breadth of the proposals is eye-opening. They included measures to protect local post offices, shops, pubs and other suppliers; to increase the sale and production of local food; to protect local public services; to promote local renewable energy, microgeneration, energy efficiency and recycling; and to increase democratic participation. The wide-ranging nature of the proposals showed how enthusiastic communities had become about various aspects of the sustainability agenda.

The Local Government Association shortlisted 199 of the proposals and submitted them to the Government in January this year. Of those 199, Local Works identified 30 that it described as a vision for local sustainability, arguing that it is vital that the Government agree those proposals to protect and create truly sustainable communities. Many of the proposals involve no extra financial burden to the Treasury, as they simply devolve power, give councils new powers or change existing rules. So far, so good.

In preparing for this debate, I read the *Hansard* report of the Third Reading debate on the Sustainable Communities Bill. It is noteworthy that Members from all parties regarded the Bill as important legislation, especially for a private Member's Bill. It is also noteworthy how many of them—including Ministers in the current coalition Government—looked forward to seeing the Act's impact. There was a sense of urgency in the Chamber on that day.

The situation in which we find ourselves is therefore astonishing and extremely disappointing. To date, no negotiations have been reported between Government and the Local Government Association, as required by the Act, to reach agreement on the shortlisted proposals. Delaying doing good is always a cause for concern, but I believe that in this case there is an additional danger. Many people have spent time and energy getting involved in identifying how the Act can deliver for communities throughout the country. The feedback I have seen shows that some of those people are becoming extremely disillusioned, and disillusionment is often followed by disengagement.

[Martin Caton]

To demonstrate that point, I shall quote from a few councillors and organisations worried by what they see as unnecessary delay. Councillor Anne Ward of South Hams district council said:

"It's a disgrace that there's been no movement on this for over a year—makes you wonder why we all bothered!"

Councillor Richard Robinson of Broxtowe borough council said:

"It has now been over a year and three months since proposals were submitted and yet they have still not been dealt with by the Government. There is now widespread grave concern that the huge numbers of people who put their time and energy into getting involved in the Act are becoming disillusioned and disengaged."

Councillor Clare Hopkinson of Warwickshire county council said:

"It is unacceptable that government moves so slowly."

Councillor Elaine Hall of Moor Monkton parish council said:

"It has now been a year and three months since these proposals were put before government and we need to see some action."

Councillor Robert Dyson of Shadwell parish council wrote to the Minister, saying:

"I gather that 300 ideas were finally put forward to the last government some 15 months ago, since which time there has been neither feedback nor action."

Tellingly, he went on:

"You are now part of a new Government, which is promoting the idea of the 'Big Society'. If the idea is to be something more than a mere slogan, can you please give me some assurance that some active consideration will be given to the ideas put forward to promote local sustainability?"

Ruth Bond, chair of the National Federation of Women's Institutes, said:

"We now are encouraging the government to ensure the Act is properly implemented by dealing with the proposals. It is important that this is done soon as it is over a year since the proposals were submitted...When our members and others start to see results at a local level their involvement will have meant something and more people will be inspired to engage in this new democratic process. However if things drag on there is a serious risk that disillusion will creep in and further damage public involvement in democracy."

Mike Benner, chief executive of the Campaign for Real Ale, said:

"Since early last year, many communities and councils, as well as our members and branches, have been involved in the Act. Hundreds of exciting ideas for government action to promote thriving communities, many of those relating to protecting and enhancing local pubs and local beer, were submitted as proposals. However, we are concerned that the process is dragging. It is over a year since the first set of proposals was submitted. Our members and others who got involved are starting to ask what is going on. Because of this we believe it is vital that the government deals with the proposals made under the Act urgently."

I have similar comments from the chief executive of the Rural Shops Alliance, the director of Unlock Democracy, the chief executive of the Association of Convenience Stores, the chief executive of the National Council for Voluntary Organisations and the executive director of Friends of the Earth.

A while ago, to try to stimulate action, I tabled early-day motion 178, which calls on the Government to deal expeditiously with the proposals under the Act. That motion is now supported by 236 Members from across the parties in the House—by far the highest number of signatures for any early-day motion this Session. I understand that the Government have said that it might be next year before all the proposals are dealt with. If so, the disillusionment I have demonstrated will deepen.

It also raises another question about process. Before the end of this year, the Government must announce the timetable for the second invitation of proposals required by the Sustainable Communities Act 2007 (Amendment) Act 2010.

Rehman Chishti (Gillingham and Rainham) (Con): I congratulate the hon. Gentleman on securing this debate on such an important issue. On process, does he agree that local authorities should have the option to submit proposals when they want, so that the 2007 Act creates a continuous, streamlined process?

Martin Caton: It will be a continuous process, but I support the timetabling in the original Act, because it ensures that projects are considered and should have ensured that the Government were engaged by now with the Local Government Association.

I mentioned the consequences of the 2010 Act. That Act will mean that a new tranche of proposals will be invited very soon. As I say, if the Government do not pull their finger out, they will have to announce the second invitation before having dealt with the proposals from the first. That will send out all the wrong signals about the Government's commitment to sustainable communities. Let us get things moving right now.

I recall that the Minister was at the Bill's Second Reading debate. He intervened on the hon. Member for Ruislip, Northwood and Pinner on the issue of garden grabbing—a subject I know is close to his heart. In responding, the Bill's promoter described the Minister as

"a well-known champion of localism"—[*Official Report*, 19 January 2010; Vol. 455, c. 1041.]

Today, I am asking him to prove that that description is accurate.

1.40 pm

The Minister of State, Department for Communities and Local Government (Greg Clark): It is an honour to serve under your chairmanship for the first time, Mr Turner, and it is a privilege to respond to the debate, which has been initiated by the hon. Member for Gower (Martin Caton). Throughout my time as an MP, and before then, he has been a passionate advocate for all things local and sustainable. Indeed, he was described to me just this morning—I know he will take this as the compliment that it was intended to be—as being the new David Drew, to whom he referred earlier.

The hon. Gentleman has the admiration of the House not only for helping to secure the passage of the Sustainable Communities Bill, which he did with the now Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Ruislip, Northwood and Pinner (Mr Hurd), but for rightly keeping up the pressure on the Government to take the required action. I join him in paying tribute to the Local Works coalition, which has been absolutely indefatigable from beginning to end. It was a tortuous

process to get the Bill passed, and it is quite right that he is taking a continuing interest in ensuring that the provisions are enacted.

In responding to the hon. Gentleman's passionate speech, I would like to do three things. First, I reiterate my personal view of the importance of the Sustainable Communities Act 2007—indeed, the Government share that view. Secondly, I am pleased to say that I can give him substantial reassurances on the points he raised. I hope that that will also reassure people listening to the debate. Thirdly, I shall discuss how, in the next round, we can respond to some of the bureaucratic problems that have beset the process to ensure that we can address the issues more speedily in future.

I supported the Bill during its passage through Parliament. I regard the Sustainable Communities Act 2007 as one of the most important pieces of legislation to be enacted in the past decade. The principles established by the Act mean that local people have the right to know what is being spent and done on their behalf in their communities. Armed with that information, local people should have the right to suggest alternative ways of proceeding. Local people's right to have their suggestions seriously considered, rather than rebuffed, is the essence of a new approach to government that is fundamental and will change how government is done. I am determined to ensure not only that we follow those principles in the decisions we make about the Act, but that such principles underpin the localism Bill that will shortly be introduced to the House. It should no longer be possible for people in authority to say to community groups and local community institutions, "You can't do what you want to do just because we say so." Such an approach is not terribly good parenting and it is certainly not good government. We need to move away from it once and for all.

On the hon. Gentleman's particular concerns about the timetable, he is right that the first invitation was issued in October 2008. Some 301 submissions were received by the LGA in July 2009 and a short list of 199 was supplied just before Christmas, on 23 December 2009. I share his frustration. When we came into government, I was pleased to be appointed to the portfolio with responsibility for the Act. Frankly, I hoped to be able to pick up a substantial body of work that had been done from December to May and to find that things had been properly scrutinised and were ready to be enacted. My inheritance was that no decisions had been taken and no decisions were ready to take.

Although incoming Ministers do not have access to previous Ministers' papers—and rightly so—my understanding was that only about a dozen of the proposals were minded to be introduced with any particular speed. I will be candid with hon. Members: that was a disappointment to me when I came into office. However, I was determined that we should not simply progress a select, hand-picked few proposals that might catch the eye of Ministers, but that we should take a comprehensive approach and adopt the demeanour of wanting to say yes, rather than trying to find reasons to say no. Far from there having been no negotiations with the LGA selector, I have, in fact, been through all the proposals with it. We have already agreed with the LGA selector on half the proposals.

Martin Caton: I have no doubt about the Minister's commitment to localism, but I am a little worried that he says that there have been negotiations with the LGA. Openness and transparency are at the heart of the Bill, and the process by which the selector—the LGA—chose which measures it wanted to send on to the Minister was done openly in open meetings. He now informs me that there have been negotiations, but they have not been reported to anybody. They have certainly not been reported to those bodies and organisations that are the driving force behind making the Act work.

Greg Clark: In fact, the term "negotiations" is a misnomer because we found it easy to agree. There is positive volition on the part of the Government to say yes to as many of these proposals as we can. Within the next few weeks, I hope to be able to agree—I am meeting the chairman of the selector again next week—with the selector on all the proposals made under the Act. What the hon. Gentleman says is absolutely correct: if we are to move on to the next round—as, indeed, we will be doing—we ought to have dealt with the current proposals. I have been very careful and have personally gone through every proposal made—there are a lot of them and they consume much paper—and I hope to be able to give a positive response to about two thirds of the proposals selected by the selector. That relates to two thirds of all short-listed proposals. I hope that our response, which again I hope will be made soon, will be very positive.

My Department's business plan commits us to making these decisions by the end of January 2011. That is our published commitment. As I say, it is a source of frustration that more preparatory work was not done by the previous Government. I do not want to make a party political point; it is more of an administrative point. It would have been nice not to have had to start from scratch on the matter but, in the time we have had, we have made pretty good progress. I would like to be in a position to make that announcement well before the published requirement of the end of January 2011. I would much prefer to be able to do it before the end of the year—before Christmas—and I will be pushing for that.

Martin Caton: What the Minister is saying is very welcome indeed. I would just like to challenge him on two things. He is being a little unfair on Ministers in the previous Government. Obviously he has not seen the papers, but I think considerable progress was made—although admittedly that was initially on, as he says, about a dozen projects. More importantly, is he saying that we will have the announcement on the projects before the end of this year?

Greg Clark: That is my intention. I should reiterate that our public commitment is to making the decisions by 31 January 2011, but I am doing everything I can to bring that forward. If we can make the decision before the end of the year—before Christmas even—that is what I would like to do. I am personally working with my officials and with the LGA selector to try to do that. In any event, the published self-imposed deadline of 31 January is a backstop, but I would like to use best endeavours to bring that forward.

[Greg Clark]

In response to the question asked by my hon. Friend the Member for Gillingham and Rainham (Rehman Chishti) on the subsequent invitation for the next round, I would like to make a simultaneous announcement on the arrangements for the next round of submissions from community groups across the country. It is not a one-off exercise, but the beginning of a different way of approaching government, and I am absolutely determined to build on it and go further. We want to do that as soon as possible, and certainly before we are obliged to do so.

Rehman Chishti: What proposals are there to ensure that more proposals come forward from community groups and citizens, rather than simply from councils?

Greg Clark: My hon. Friend touches on an important point. I pay tribute to the selector panel and, in particular, to Councillor Keith Mitchell, who has put a great deal of effort and personal commitment into scrutinising the measures and putting them forward. Here we get on to the wider agenda, because the principle embodied in the 2007 Act is that communities of all descriptions, including, but not exclusively, local government, should have access to the machinery of government so that they can unblock the barriers that prevent them doing what they could do. I want to look at how we can extend that.

One of my earliest impressions when I became a Minister was that I had access to a wide range of talented people in the Department who are there to help turn ideas into reality and policy ideas into law. However, my view, which I suspect those hon. Members present share, is that the best ideas are not the exclusive preserve of Ministers, or even of senior officials, in Whitehall, but actually come from people in communities. It seems to me, therefore, that the support and advice that Ministers have access to ought also to be available to people in communities. That is a commitment that I have made and am working on so that we can, almost literally, turn government upside down in the Department, to make help and support available to people in communities, rather than being exclusively for Ministers to help them get things done. After all, if Ministers need help in overcoming some of the barriers, goodness knows that people in communities will, too.

I have established a team that we refer to as "barrier busters". During the last Communities and Local Government questions, I extended an invitation to Members who have examples of burdens, rules, regulations and barriers that are standing in the way of local action, and which only central Government are able to remove, to contact the Department so that we can give them access to people who can help them to look at the regulations and the law or to bang heads together in Whitehall if that is necessary. We will not always succeed, but we will certainly do the best we can to achieve that.

The opportunity in the next round is to make access to our "bureaucracy busters" more widely available across the country and, as my hon. Friend the Member for Gillingham and Rainham suggested, to see whether we can ensure that we do not need to wait for a long time before acting on good requests. If something is a good idea, we should get on with it.

By coincidence, I happened to have a meeting with Local Works and my hon. Friend the Member for Ruislip, Northwood and Pinner this morning to discuss how we can really build on the ambitions and the early success of the Act to go ever further and better in future. I hope that we can make some improvements to the system that will make the Act even more effective in the months ahead.

Martin Caton: I welcome the invitation to visit the bureaucracy busters. On the theme of consulting Members of Parliament, if it proves that the Minister cannot deliver the accelerated timetable that he clearly hopes to deliver, would he be prepared to meet a cross-party delegation of Members to discuss how we move forward?

Greg Clark: I do not need to make it contingent on that eventuality: I am happy to meet the hon. Gentleman at any time and with any colleagues who have a contribution to make. MPs are leaders in their communities and have experience and knowledge, as he has in spades, about some of the obstacles we need to overcome, so I would be happy to meet him and other colleagues in the weeks ahead. Our formal commitment, which I ought to respect, is to make a decision by the end of January, but I will do everything in my power to make that earlier.

The approach embodied in the 2007 Act that local and specific approaches to problems can provide lessons on how things can be done better by other communities, not only in that area, but across the country—possibly around the world—is a powerful way of thinking about government. It is about helping with the specifics, learning the lessons and then taking practical action. I am determined that our response will respect the spirit of the Act and indeed will imbue our whole approach to government. I am grateful to the hon. Gentleman for giving us the opportunity to discuss the matter today and hope that all Members, and everyone who has given their time, effort and commitment to the process, will shortly see that there is an even greater prospect of success in the future than we have heard today.

Question put and agreed to.

1.56 pm

Sitting adjourned.

Westminster Hall

Wednesday 17 November 2010

[PHILIP DAVIES *in the Chair*]

Sheltered Accommodation

Motion made, and Question proposed, That the sitting be now adjourned.—*(Mr Goodwill.)*

9.30 am

Margot James (Stourbridge) (Con): It is a pleasure to serve under you this morning, Mr Chairman. I first wish to thank all Members who have given up their time this morning to debate the very important matter of sheltered housing.

According to the most recent English housing survey, 610,000 mainly older people live in sheltered accommodation. As a sector, sheltered housing has something of a mixed reputation. Some sheltered housing is old and provides bedsit accommodation, which is increasingly hard to let. At its worst, it has provided councils with an opportunity to house hard-to-place tenants—for example, people with drug and alcohol problems—and unsurprisingly that is upsetting for the conventional older tenants for whom the schemes were originally intended. At the other end of the sheltered market there are high-quality flats available for lease purchase and renting. What all those options have in common, however, is the availability of services that are promised as part of the housing entitlement.

I digress for just a minute to remind Members of the next big thing in older people's accommodation: extra-care homes. Some Members might already have such establishments in their constituencies. My own borough of Dudley is opening several extra-care homes next year. These establishments promise services that tenants and owner-occupiers can avail themselves of on a flexible basis, according to their age, mobility and mental state. The important thing is that the services are available; that is what people will buy into. Although they might not, at first, need a carer to visit them regularly or to have mobility aids in their flat, as they age and their needs change they will be able to access that additional support as part of the package. Does that sound familiar? Although the services offered in extra-care homes are more diverse and far-ranging than those provided by most sheltered housing schemes, the principle is the same. Someone pays the money, and as their needs increase they are guaranteed access to greater support.

On the basis of trends in the sheltered market in recent years, I would say, "Buyer beware." In sheltered housing, those essential services are being eroded over time. The tenant or leaseholder—this happens in both the private and the social sector—moves into their accommodation on one basis, thinking they will be secure in their old age, only to find that as time goes by the management organisation starts to whittle away the services on which they depend. The distress caused to older tenants and leaseholders by the various changes, in some cases forced upon them by their housing provider, is as great as it is unjust. Several types of service are affected, but the most controversial is warden support.

Research by the Sheltered Housing UK Association found that 97% of residents surveyed said that their decision to move into sheltered housing had been influenced most of all by the presence of a live-in warden. A Help the Aged report, entitled "Nobody's Listening", found that 67% of Supporting People administering authorities felt that warden services were the most important aspect of sheltered housing for older residents.

Not everyone agrees. Imogen Parry, director of policy for the Essential Role of Sheltered Housing, which represents housing providers, said that her organisation believes that

"sheltered housing can be provided through a range of models"

—I am sure it can—

"not just through schemes with resident wardens."

She then quotes from research by Hanover, one of the housing providers:

"Many people neither want nor value 24-hour on-site management services".

So that will be why tenants in Barnet and Portsmouth have taken their local authorities to court for threatening to move from on-site to floating warden support.

Jo Swinson (East Dunbartonshire) (LD): I congratulate the hon. Lady on securing the debate on this very important issue. Residents in my constituency are equally concerned about losing warden services, but the problem is twofold. The full service is being taken away, leaving only a nine-to-five service, and people are being asked to pay an additional charge when the service was part of the overall package they had when they moved in. They are losing on both counts.

Margot James: I very much agree with the hon. Lady. It is true that elderly people buy into these schemes and originally have an on-site warden service. As she says, not only is that taken away, made off-site and shared by various other housing organisations, but it used to be free and is now chargeable. So, the service is getting worse and the fees are increasing in many cases.

Penny Mordaunt (Portsmouth North) (Con): In Portsmouth, we have an additional problem to the wardens—whom the court case was about—in that bathing and other services are being charged for. This is all happening at once, and many elderly men and women are extremely frightened at the prospect of their bills going up by £20 a week or more.

Margot James: My hon. Friend makes a very good point. We must not forget that most of these residents and tenants are on fixed incomes. They have bought into the schemes on one basis, and a promise has been broken. I shall come on a little later to some of the options available to people in that position. Judicial reviews of decisions by housing providers have also been sought by tenants in no fewer than 50 housing schemes in 20 authorities. That gives the lie to the assertion by the housing providers that their residents "neither want nor value" on-site management services.

We are talking about a vulnerable group of people, many of whom are on fixed incomes. Many people in that situation are increasingly frail and are no match for large housing organisations and their teams of lawyers,

[Margot James]

which is presumably why some companies—charities even, which I find very surprising—have attempted to impose the sort of changes we have heard about this morning on leases and tenancy agreements, without consultation. Although the change that has caused the most distress is the replacement of a live-in warden service with an off-site visiting manager—with whom it is necessary to make an appointment, which is often charged for, even though it was free according to the terms of the original agreement—other changes such as the national procurement of local services and escalating management charges with no associated improvement in the service offered are also a big problem for owner-occupiers in the leasehold sector.

I was first alerted to this problem by two constituents of mine in Stourbridge, who do not wish to be named. They had bought into sheltered accommodation on a leasehold basis. A charity ran the establishment, along with several hundred other establishments nationwide. The charity has substituted the live-in warden service that was free at the point of use with a visiting service shared with other organisations, with which they have to make an appointment and for which they are charged. They have also suffered escalating management charges, and a housing provider that decided to procure nationally every single service. Such a system takes away any local connection and removes the resident's empowerment and ability to effect improvements by making a phone call or spotting the window cleaner and having a word. Even window cleaning, garden maintenance and lift maintenance are nationally procured, and the excuse given to the residents is that that is under EU law. We have investigated and that is not the case. There is a way round the problem, and EU law does not force national procurement on organisations of that size. Nevertheless, that is what residents are being told.

After I raised the issue during Prime Minister's questions in July, a family from Folkestone approached me. Their elderly mother was a tenant in an establishment managed by Peverel, which manages a large number of housing organisations country-wide. Again, the issue was the substitution of the live-in warden system. None of the residents wanted that, but Peverel said, "We're going to sell the flat where the warden lives because we can't find anyone to do the work. We will donate £10,000 from the proceeds of the sale into your management fund." That is absolutely derisory, but when the residents challenged it, Peverel turned around and said, "We are under no obligation to do this—take it or leave it."

Endless complaints appear in the press about Peverel. One of its tactics is to use myriad service organisations of its own, including insurance companies. It then foists the delivery of services by those companies on the residents in its apartments at a charge that is higher than the market rate. That creates a conflict of interest unless there are clear rules of transparency, so that residents can get competitive tenders and ensure that they are not being overcharged for their services.

One gentleman, Neil Healey, managed to take a subsidiary company of Peverel to court over such issues, and he won a case against Solitaire Property Management. Peverel does not exclusively provide sheltered accommodation, and the picture in the paper of Mr Healey shows he is a young man—32 years old. A man of that age is perhaps better equipped to take large housing organisations to court than many of the frail older tenants who are my concern this morning.

A survey by the Bristol older people's forum showed that more than two thirds of elderly people who live in the Bristol sheltered accommodation sector state that their quality of life is now worse than it was when there was a resident warden. Furthermore, 83% of pensioners in sheltered housing say that the services provided by their council are now worse, and 68% say their quality of life has suffered.

I am pleased to note that the Deputy Prime Minister spoke in support of this cause. Sheltered Housing UK wrote to him a month ago, putting pressure on the Government to introduce rules to ensure that residents and tenants have a right to be consulted when changes to the terms of their leasehold and tenancy agreements are proposed. In response, the Deputy Prime Minister wrote that

> "lots of people who move into sheltered housing do expect a 24-hour warden...I rather like the idea Help the Aged has come up with about putting changes to warden services to a vote of affected residents...That's the kind of good practice I hope more housing associations and councils will use."

Penny Mordaunt: Certainly in Portsmouth, and I am sure elsewhere, I am concerned that a tactic is being adopted whereby companies that have been taken to court for not consulting people now consult local residents, but still leave them with the bill. In that way they dodge the political bullet for effectively withdrawing the service. I pay tribute to my constituent, Ingrid Savir, who is older than 32 but has been extremely dynamic and has spearheaded the campaign that sued Portsmouth city council.

Margot James: I thank my hon. Friend for her intervention, and I am most heartened by her example. I stress that many older people are aware of their rights and are determined to push them through. I am delighted to hear about such cases. The problem is that when consultation requires a majority vote—as it should do—a lot of the frailer, more elderly people in the accommodation in question can be leaned on or bullied by the housing association. That is my point.

Let me turn my attention to what can be done about that state of affairs. In the private sector, many tenants have a legally binding service contract. Most sheltered housing providers subscribe to the code of practice for the provision of retirement housing that was established by the Association of Retirement Housing Managers—ARHM. That code makes it incumbent on providers to consult leaseholders about any changes to the terms of the lease. Some charities and housing associations find ways round that code of practice, foisting service charges on to leaseholders without proper consultation, as we have heard this morning.

Leaseholders should be made explicitly aware of their right to consultation under the code of practice, and their recourse to leasehold valuation tribunals should the code be breached. The statutory elements of leaseholders' rights—such as the right to enfranchise a lease or, as a leaseholder group, to take over the management of services, away from the housing provider—should be extended to charitable organisations and housing trusts.

In my view, such rights should also be extended to the social housing sector. Age UK argues that tenants should be given proper information about the core services offered in their housing scheme, and the terms of reference for any future changes in those services, before they move in to the retirement housing of their choice.

Tenants in sheltered housing provided by local authorities should have a statutory right to be consulted on and challenge local authority decisions that reduce or significantly vary the provision of warden support and other services. Any changes to support services should be voted on by residents, who should have a say in the most appropriate system of alternative support when changes are proposed.

I am grateful for the expertise provided by Age UK and Sheltered Housing UK. Furthermore, my local authority of Dudley—under the recent rating system, it achieved a four-star rating for all its housing services—has proved an excellent support in my constituency for leaseholders in the private sector. I would like to thank Ron Sims and Theresa Kelly for their help with some of the proposals that I put forward this morning.

I look forward to learning more about this issue from the experiences of other hon. Members present for the debate, and I hope that some of the ideas proposed will merit due consideration by the Government.

9.48 am

Laura Sandys (South Thanet) (Con): It is good to serve under your chairmanship, Mr Davies, and I would like to thank my hon. Friend the Member for Stourbridge (Margot James). The minute that I saw this debate listed in the Order Paper, I felt that I had to participate. For many years, my hon. Friend the Member for North Thanet (Mr Gale) and I have been running a local campaign. We have formed a group called the Thanet eight. It is eight buildings with over 1,500 residents who live in flats that are owned by one company, and were originally managed by the same company—Peverel.

Those residents are by definition not young, and their objective in buying their properties was to have safe, secure and affordable homes, possibly for the rest of their lives. The reality has been different with increased charges; expensive and sometimes unnecessary renovations; a lack of consultation of residents; the attempt to block the creation of active residents associations; a reduction in services, particularly house manager support; and disproportionate penalties if a property is sold or rented.

Age UK has recently raised this matter and completed a very comprehensive report highlighting four key issues that my local residents certainly experience: unfair transfer fees when a property is sold or rented; escalating service charges, compounded by a lack of transparency about what people are paying for; very expensive rents for house manager flats—mentioned by my hon. Friend the Member for Stourbridge—which do not reflect the market value at all; and the use of companies that are owned by the management companies to undertake work or provide services on behalf of residents.

In particular, I should like the Minister and the Government to examine what I call the vertical integration model. These businesses are being run by subsidiary companies where the group company owns the majority of the companies that provide services to these residential blocks. That throws up very interesting and questionable issues. I hope that those companies' ownership of that vertically integrated supply chain causes concern to the Office of Fair Trading. The method by which they operate the vertically integrated business model is certainly of concern to consumer groups and, as I said, has been the subject of an Age UK report.

In my experience, the freeholders and management companies, which are all owned by the same holding company, own lift maintenance companies, buildings insurance firms—mentioned by my hon. Friend—building and maintenance operators, window cleaners and internal communications fitters. That might on the surface suggest that such a company knows its business well and understands all the different aspects of running sheltered accommodation, but is that really the case or is the vertical business model precluding competition, reducing choice for residents and creating incentives for the management company to propose and sometimes impose renovations, refurbishments or additional services that residents have not requested and do not desire?

Penny Mordaunt: It is not just the Office of Fair Trading that needs to be concerned. If a lift is not fixed or the night warden is not there, that will lead to potentially massive bills for the public purse. I am thinking of more hospital admissions, more people falling over and so on.

Laura Sandys: I very much welcome that intervention; I totally agree with my hon. Friend. We need to consider the holistic cost—the overall cost—of how in the future we will look after people who are getting older. Many years ago I wrote a paper called "How we keep the new old young". That will be a big challenge for us. I am referring to how we keep people mobile and independent and ensure that they have the resources to be independent for as long as possible.

I now want to talk about the emotional impact and the worries and concerns of my local residents in Thanet, who have put their life savings into these small flats and do not have other resources. There is an emotional and physical impact from their concern about what will drop through their letterbox next week from the management company telling them that they owe another £1,500. That creates more health problems and anxiety and deters older people from making the independent choice and going for what is, on paper, excellent sheltered accommodation and a structure that gives them security for the future.

Jim Shannon (Strangford) (DUP): I appreciate the opportunity to comment on this matter. The coalition Government are considering the removal of the mobility part of disability living allowance for people in homes. Does the hon. Lady not agree that the removal of such an award puts a financial pressure on people in homes as well? The pressure is not just physical, but financial. Being members of a caring society, as I am sure we all are, does she not agree with me that that would be a backward step?

Laura Sandys: I am talking about sheltered accommodation, not residential care, but I understand that the issue is the component of DLA that relates to mobility. Local authorities do provide those services

[Laura Sandys]

and need to provide them to ensure greater mobility and as much independent living as possible within a care home. We need to consider carefully how we maintain independence, mobility and active life for as long as possible. I have in my constituency one of the highest percentages of people over 60 in the country. They feel that they can and should participate actively in life, but sometimes and particularly when predatory management companies are involved, they and certainly their resources are put under strain. I thank the hon. Gentleman for his intervention.

I shall give an example of what has happened in my area. Initially, for some of my local buildings, expensive refurbishment projects would be commissioned by the managing agents with the justification of needing to keep the buildings in good condition and ensuring that the residents' investment was being built on. With no comparative quotes having been produced, those refurbishment projects went ahead, incurring significant additional service charges for the residents. Yes, that was their choice, but it was on the recommendation of someone they trusted—the management agent.

As time has gone on, my local residents have stopped trusting their management agents. They have started to see a pattern as they start to question refurbishment. Now, the management companies are looking to undertake works priced just below the threshold at which they must consult the residents. Over a two-year period, a series of quite similar projects have been priced just below that threshold, so the firms can procure from their own companies at high cost and without consultation of residents. Those costs, which are passed on to residents, total thousands of pounds. The residents are elderly and often on low incomes and have no recourse.

Buildings insurance is also an interesting area. The majority of the buildings in my area that are under management with Peverel have been reinsured in the last four years—not exactly a time when property prices have been rocketing. Those properties have been revalued with increases of between 40 and 60% in the last four years. The insurance company is owned by the holding company of the management company. The premiums have been passed on to the residents. Equivalent quotes obtained by my local residents have brought down the value of the properties in the current market. Some of my residents question whether the building's value has gone up to support those companies in their market valuation and the presentation of their assets to borrow further money to buy more residential homes.

The vertical integration of these companies, the lack in many instances of competitive tendering and the cumulative cost of small refurbishments that are just under the threshold for consultation make for a very insecure and uncertain future for many residents and must be addressed. Many people from these blocks have taken up the opportunities afforded to them under the Commonhold and Leasehold Reform Act 2002, but have the management companies made it easy for the blocks to self-manage? In fact, they have stood in the way of the setting up of residents groups and contested the right to manage, citing numerous barriers. My residents have ended up in tribunals and having to employ experts and lawyers. The law is there to liberate those residents, not to wrap them up in red tape or to place on them the expense of lawyers. All those things have been put in the way to thwart their right to self-manage.

I support my hon. Friend the Member for Stourbridge in the key points that she has put to the Government. I urge the Government to review the regulations on private retirement sector housing and to ensure that the code of conduct is properly enforced. Residents in my constituency should have access to recourse and to the rights enshrined by law. They need the future security that they and their families so deserve.

10 am

Jesse Norman (Hereford and South Herefordshire) (Con): I congratulate my hon. Friend the Member for Stourbridge (Margot James) on securing this debate on an important national topic. It is important not merely because of the low level of building in this country, but because there is a serious issue about whether residents in sheltered accommodation are being cared for properly. The cases that have been described in this debate illustrate that issue.

The problem is perhaps not as acute in Herefordshire as in some other parts of the country, but it is serious and growing. We have a large elderly population that is increasing as a share of the population, and it includes an increasing number of frail people. Most of those in sheltered accommodation are cared for by Herefordshire Housing, which, after a difficult period a few years ago, has made great progress under its new leadership and reconstituted board. But all too often, sheltered accommodation is used for families who do not require it and to accommodate people with mental illness, who would be better accommodated in specialist dwellings designed for their needs.

The removal of the warden service from sheltered accommodation is a serious local issue, on which I have campaigned for three years. I associate myself with the comments of my hon. Friends on that issue. The warden service is vital, not only for its early-warning service, but for the human touch that it provides for those in sheltered accommodation. There has been more than one case in which a resident has been discovered several days after they have passed away because of the lack of a regular on-site warden.

When the housing stock was transferred from the council to Herefordshire Housing, residents were given strong assurances that their rights, and specifically the warden service, would be protected. There is a general duty of care, under which the warden service is provided. Residents were therefore appalled to discover a couple of years ago that the warden service was being removed.

A very good local campaigning group was set up, called the sheltered housing tenants umbrella group. With my assistance, several members of SHTUG took Herefordshire Housing to court over the removal of the warden service. In particular, I mention Shirley Baldwin, who ran SHTUG at the time, Lil Jones and Nancy Evans, in whose name the group received legal aid to pursue the case. I am sorry to tell hon. Members that the case failed because of a technicality. A statute of limitations, which was very short at some six months, had elapsed and they had neglected to register their concern, in part because they were notified in a modest, non-public way. They had not realised that they had

only six months to register their concern, and it was some time before the impact of the withdrawal of the service became clear. Although the lawsuit reached the stage of taking the advice of a silk in London, it did not go through. I am sorry to report that, because those people deserve a better deal than they are getting.

What can be done? Hon. Members have made many good suggestions in this debate and I associate myself with those. I wish to emphasise three aspects. First, there should be more vigorous enforcement of tenants' rights by statutory agencies. Tenants should not be notified in a letter that arrives among a lot of other correspondence that such rights are being ended without proper negotiation and consultation. Such rights should not be ended in any case because of the commitments that were made at the time of the stock transfer. Tenants deserve better than to have to obtain legal aid, which does not even exist in Herefordshire for such cases. The nearest place from which legal aid can be obtained, and where I found it, is Birmingham.

Secondly, there should be proper treatment of those with mental illness. I have residents who are being driven mad by the difficult behaviour of people who require proper treatment and care. Such people should not be left in sheltered accommodation, but they are because of the general crisis in housing.

Jim Shannon: Last week, my right hon. Friend the Member for Belfast North (Mr Dodds) introduced the First Reading of a Bill to protect elderly people and those in care, and to ensure that their rights are preserved. Like the hon. Gentleman, I represent an area with a large proportion of people who are coming up to retirement age—I am probably heading that way myself. Will he look at that Bill, which would go a long way towards providing the protection that he speaks about for the vulnerable people who need it?

Jesse Norman: I welcome the hon. Gentleman's intervention, and I shall look at the proposed legislation with great interest.

My final point is that sheltered housing should be an integral part of a wider attempt to get more housing built in this country. In the past decade, there has been an enormous amount of talk about housing targets, and yet there has been the lowest rate of new housing creation in living memory. The large and increasing number of people who require sheltered accommodation are the losers in that much wider national problem.

10.7 am

Jack Dromey (Birmingham, Erdington) (Lab): It is a privilege to serve under your chairmanship, Mr Davies.

The House owes a debt to the hon. Member for Stourbridge (Margot James) for raising a series of important issues with her characteristic sincerity and commitment. She is right that we have a sacred duty to look after the most vulnerable, and in particular those who built Britain, ensuring that they have security and dignity in retirement. No party has a monopoly on wisdom and all Governments, including the previous Government, have to reflect on the consequences of their actions. I will pose a number of questions that I hope the Minister will answer, because the issues that have been raised in this debate are of immense importance.

Everyone here takes seriously the importance of housing and support for elderly and vulnerable people, whether they live in their own home, with their family, or in supported housing, such as sheltered or extra-care schemes. The hon. Lady was right to underline the scale of supported housing in our country. The survey of English housing in 2008 showed that 7% of the retired population lives in sheltered or extra-care housing, with more than 610,000 living in sheltered accommodation. At its best, sheltered accommodation provides a sense of community, companionship and security.

I know that the debate is about more than just wardens, but I will focus for a moment on wardens. I know from my experience in my constituency that the elderly and the vulnerable speak warmly of their wardens. Wardens provide much needed support and they help with tasks, big and small, as well providing invaluable advice and support. Wardens often go that extra mile beyond the call of duty. They organise trips, activities, bingo, singing—I have even been asked to sing in one old people's home, but I am no Pavarotti. Wardens organise supper nights, and provide a listening ear to their residents who are experiencing ill health or other troubles and need a friend in difficult times.

I have seen some remarkable examples of the good and, I have to say, a very bad example of the bad. Remarkable examples of the good, on the one hand, include Waterford Court, where I was but two weeks ago, celebrating its 10th anniversary. It is full of old soldiers and their wives and husbands, still young at heart. They very much regard themselves as the "wellderly"—the hon. Member for South Thanet (Laura Sandys) was right about that—and are looking forward to years of life ahead in what is an excellent community. Also, New Oscott Village is a shining beacon of what care for elderly people should look like.

On the other hand, bad examples include the one mentioned by the hon. Member for Hereford and South Herefordshire (Jesse Norman). In my constituency, one old people's home in Kingstanding moved from on-site wardens, present seven days a week, 24 hours a day, to floating wardens and a call centre. One woman told me, in great distress, of her experience. She had had a mastectomy and at 3 o'clock in the morning on a Saturday night, her wounds burst open. She tried desperately to get help from the call centre, but was told to ring 999. She said, "But I'm soaked with blood from my breasts to my knees." She could not make any sense of what was happening at the other end of the line and, ultimately, had to call her son, who lived three miles away, to come and get her, at 3 o'clock in the morning, to take her to hospital. Although we celebrate the examples of the outstanding in all constituencies in Britain, what the debate has highlighted is that other examples, to be frank, shame our country.

Among the developments under our own Government was an unhelpful trend in relation to wardens. I will discuss that in a moment, but first let us look at the policy framework, because it is important to where we go from here. In February 2008 the Government published "Lifetime Homes, Lifetime Neighbourhoods: A National Strategy for Housing in an Ageing Society", which set out how sheltered housing is often a positive choice for older people who want to remain independent but who

[Jack Dromey]

value that little bit of support and shelter, as well as the sense of security and community brought by sheltered housing. The paper said:

"extra care and care homes at their best can be vibrant community hubs, tackling exclusion and promoting active ageing, even if the accommodation itself is dated."

It also said—the hon. Member for Stourbridge was absolutely right—that consultation and needs assessment are critical both to the effective management of sheltered accommodation and to reflect the wishes of service users. That was emphasised in 2007, in the Supporting People strategy paper, "Independence and Opportunity". Central to that paper was the importance of keeping service users, in turn, at the heart of delivering housing support.

A report by Help the Aged, "Nobody's Listening", makes it clear that changes in support services for sheltered housing and the replacement of resident wardens by alternative service models are not new phenomena—such changes have been taking place for two decades. An independent study commissioned by the Department last year pointed to various reasons why that was the case. It found, on the one hand, that there was less demand for sheltered housing, as people tended to move into sheltered housing later in life, and, on the other hand, that a significant number of sheltered housing residents said that they did not require support services because they were defined as the active elderly. As a result, some administering authorities commissioned flexible mobile support for sheltered housing tenants, based on assessment of support needs. They extended the notion of mobile support. There were strengths in that approach, because it offered support for people in all types of tenure, but, clearly, there were weaknesses as well, because some commissioning authorities, under my party's Government, clearly got it wrong and went too far in changing the provision of wardens in sheltered accommodation.

I will touch briefly on consultation, which has been powerfully raised, including by the hon. Member for Portsmouth North (Penny Mordaunt), who has direct personal experience. Consultation is a vital part of any service. My experience is that, if an organisation consults properly with service users, often changes that may not be threatening are seen to be precisely that—not threatening, contentious or frightening. Consultation before changes are made is, therefore, essential. Unfortunately, too many examples of a failure to consult have been evidenced in the debate today, including successful challenges in Portsmouth and Barnet, where there was a lack of consultation, ranging from a failure to take into account the terms of leasehold arrangements to a failure to act in accordance with disability discrimination legislation.

Having acknowledged the trend under the Labour Government whereby some commissioning authorities, for all that their motives were noble, went too far, I shall now look at where we go from here. The debate must take place against the background, inevitably, of resource constraint. As I will say in conclusion, however, what the hon. Member for Stourbridge has done is to put this vital issue at centre stage in the decisions that get made in the next stages by the Government and the commissioning authorities at the sharp end.

The context in which the debate is taking place is that councils will see a 7.1% cut each year for the next four years. Supporting People funding will be cut by 11.5%, to £6 billion. Yes, it is true that an additional £2 billion of funding has been promised to social care by 2014-15, £1 billion of which will come from the NHS, but, set against that, the sheer scale of the cuts that will be made in the field of social care is immense.

We can look at examples of what is already happening in the here and now. Somerset has approved a £3 million cut in its Supporting People programme from April 2011, representing an 18% reduction on its £16.5 million budget allocation for 2010-11. Big cuts have already been made in Isle of Wight; and Cornwall is due to make a decision on, I believe, 30 November on a proposed 40% cut over three years in its overall Supporting People spending. Reports suggest that elsewhere in the country active consideration is being given to major cuts of that kind: Bournemouth, Swindon, North Somerset, Brighton and Hove, and Surrey are all considering proposed reductions of between 20% and 40%. Against that background, and in the spirit of the debate today—so nobly led by the hon. Member for Stourbridge—I would like to put a number of questions to the Minister.

My first question is about preventive support. The evidence is absolutely clear that preventive support—warden services, in particular—leads to better outcomes for service users and their families, as well as to savings in health and social services budgets. If low-level preventive funding, such as Supporting People moneys, is lost, combined with the end of ring-fencing, that is likely to cost the Government and local authorities more.

My second question relates to the redirection of funding. The Supporting People programme funds housing support services for about 1 million people, but as a result of the dramatic consequences of the reductions in expenditure that are being imposed on them, some local authorities are using it to help fund statutory social care. Does the Minister share my concern that that is likely to accelerate significantly the withdrawal of on-site warden arrangements, in favour of what is all too often an unsatisfactory roaming warden service?

My third question is about social care cuts. The initial relief at the provision of an additional £2 billion for social care by 2014-15 has evaporated in the wider context of the 26% cuts in local government revenue spending. As a result of those swingeing cuts to local government, the extra money promised will do nothing to make up for cuts to social care services. Last year, the Minister of State, Department for Education, the hon. Member for Brent Central (Sarah Teather), who at the time was shadowing the Department for Communities and Local Government, said:

"it is important that ending ring-fencing does not become an excuse for phasing out funding or squeezing budgets, and that local councils do not end up getting the blame for what is, in essence, the removal of money by central Government." [*Official Report*, 20 October 2009; Vol. 497, c. 194.]

Does the Minister agree with his colleague?

My fourth question is on a matter about which hon. Members have spoken eloquently. The Sheltered Housing UK Association, a campaign group, recently wrote to the Deputy Prime Minister because he had said in a pre-election interview with *Inside Housing* that residents should be able to vote on whether to keep a live-in warden. We have heard that the Deputy Prime Minister

has made an initial response, but can the Minister tell us whether that excellent proposal is under active consideration?

On my fifth question, the Minister signed early-day motion 60 last year, which expressed concern about reductions in funding for Supporting People services. It called on the then Government to take action to ensure that the vital service of warden-supported housing was retained, because reductions were having a

"detrimental effect upon the quality of life of many vulnerable people who rely on warden-supported housing".

The Minister will be fully aware that the Government have announced unprecedented cuts to local government funding. What impact will those cuts have on vulnerable people, and particularly the elderly, who rely on local government services? Crucially, have the Government conducted an impact assessment of the effects on social care services of cuts to local government funding? If so, will the Minister publish it?

In conclusion, the debate has raised a number of serious questions about the treatment of residents in housing schemes and about their concerns over the changes that they face. One strength of today's debate has been that it has celebrated the good, while expressing concern about the bad. There is concern on all sides to ensure that we maintain the support that the elderly and vulnerable are entitled to expect. I thank the hon. Member for Stourbridge once again for securing the debate, because she is right that this issue is absolutely centre stage in the debate about how we go forward in difficult times. I hope that the Minister will respond to my questions.

10.24 am

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): I am very happy to be serving under your chairmanship for what I think is the first time, Mr Davies. Let me tell my hon. Friend the Member for Stourbridge (Margot James) that this has been a very worthwhile debate on an extremely important question, and I thank her very much for bringing it to the House.

My hon. Friend made some strong and effective points about the problems in her constituency. Like other Members who have raised a significant issue in the House, she has had, if not the pleasure, the experience of finding that people all over the country hope that she will become their champion and write to her accordingly. Although I am sure that she will fulfil that role very well, I hope—indeed, I am sure—that she will be able to channel her resources towards dealing with her own constituents. She and other hon. Members raised some really important questions, which I will do my best to address.

It is worth repeating, as the hon. Member for Birmingham, Erdington (Jack Dromey) properly said in his balanced critique of what went before, that this matter has come before the House previously. There have been two Adjournment debates in the past 12 months or so, which were initiated by hon. Members with concerns about exactly this issue. The Sheltered Housing UK Association rightly has a strong reputation for getting its point across to right hon. and hon. Members.

Let us go back to where the Government stand on this issue. We are clear that housing needs to be there, and that the support needs of vulnerable and older people should be met wherever they live, whether in their own homes, with their family, in supported or sheltered housing, in the extra-care accommodation mentioned by my hon. Friend the Member for Stourbridge—I note her concerns that extra-care homes may be subject in due course to the pressures that she described—or in residential care establishments.

There is a whole range of accommodation. The Government are committed to making sure that people have appropriate accommodation and the support to enable them to live in it. The coalition agreement says:

"people deserve dignity and respect in old age, and...they should be provided with the support they need."

It also includes a specific commitment on being able to live independently in later life. It says:

"We will help elderly people live at home for longer through solutions such as home adaptations and community support programmes."

By extension, we will ensure that arrangements are appropriate for people in sheltered accommodation, whether in the private, charitable or public sectors. The Department is looking at how we can help older people to access the practical advice, support and home adaptations that they need to stay in their homes or to move to more appropriate accommodation. We are working with developers and planners to facilitate a wider range of high-quality housing options for older people.

At the heart of what the previous Government did, and what we are continuing to do, is the Supporting People programme. The programme has been protected as far as possible in the spending review. As part of the review, we have secured £6.5 billion for Supporting People over the next four years. The hon. Member for Birmingham, Erdington is not wrong to say that the finances are under extreme pressure or that there will be pressures on local authorities and providers, but I want him to understand that the sum being spent on Supporting People—it will be £1.6 billion this year—will still be £1.59 billion by 2015, which represents an overall reduction of just £46 million over the four years. That shows that we have a very strong commitment, in straitened times and circumstances, to ensuring that the Supporting People programme has the resources that it needs and that front-line services for vulnerable people, including residents of sheltered housing, are protected.

Figures are a little hard to come by, but something like £180 million out of the Supporting People programme goes to support for people in sheltered accommodation at present and, by everyone's account, that is doing a good job. Hon. Members have rightly focused on the sector's problems, and I want to discuss those in a minute, but let us not forget that there are 600,000 older people in sheltered accommodation, the huge majority of whom are happy and comfortable there and, in the traditional phrase, would not be anywhere else.

How will the Government approach the matter? We have said clearly and strongly that we believe that local authorities are best placed to identify services to meet the needs and balance the priorities in their communities. It is for local authorities to decide how best to design and commission the services that they believe are needed by all parts of the community, and to arrange for and deliver them—or enable them to be provided, perhaps by work with third sector and private sector providers. Central Government do not dictate to local authorities

[Andrew Stunell]

or service providers the details of what local services to provide or how to do it, and we do not want to be in the business of micro-managing service delivery.

Jack Dromey: Have central Government conducted a study of the impact on elderly and vulnerable people of the reductions in expenditure that have been announced?

Andrew Stunell: That is primarily a matter for the Department for Work and Pensions and the Department of Health. I am happy to follow it up and to write to the hon. Gentleman and other hon. Members about progress in that respect. We should be quite clear: the Supporting People programme is non-statutory and has always been non-ring-fenced. That has allowed local authorities to draw money into it when they thought it necessary, and to use Supporting People money imaginatively and innovatively to provide good services by bolstering and reinforcing those they already had. It was never a ring-fenced fund and it still is not, and it does not cover a specific statutory duty, but I am happy to follow up on that point by writing to the hon. Gentleman and other hon. Members.

Later this month we will publish a localism Bill to devolve greater powers to councils and to neighbourhoods and local communities. It will return to them control over housing and planning decisions and will help to set the foundation for transforming the relationship between central Government, local government, communities and individuals. The philosophy behind the Bill includes the engagement and participation of residents and communities. Several hon. Members have rightly drawn attention to the fact that in some cases providers of sheltered housing appear deliberately to have sought to frustrate or bypass such consultation and engagement. The Government regret the fact that that happens and would want it to be challenged whenever it does.

Jack Dromey: Does that mean that the Government intend to honour the pledge given by the Deputy Prime Minister that residents of sheltered accommodation will have the right to vote on whether wardens are withdrawn?

Andrew Stunell: The hon. Gentleman is skilfully gliding over what he said to the House only about 10 minutes ago, which is that the Deputy Prime Minister favoured that approach; he did not give a pledge to introduce legislation, and I am certainly not going to do so. The hon. Gentleman has perhaps slightly gone beyond his very temperate approach, by trying to weave into it something that is not the case.

The localism Bill reforms, taken together, will shift power from the central state back into the hands of individuals, communities and councils. They will give local people, including community groups and residents associations—and why not groups of sheltered housing residents too—more power over local government and how public money is spent in their area, and will ensure that councillors are more directly accountable to them. They will free local government from central control so that it can ensure that services are delivered according to local needs; and they will let local people drive change through a renewal of confidence in a streamlined, more efficient planning system, encouraging them to get actively involved in planning, housing and local services.

Before I return to the matter of sheltered accommodation I should perhaps mention that I probably got slightly carried away before in saying that Supporting People was never ring-fenced, as it was ring-fenced initially but the previous Government de-ring-fenced it and we have continued with that.

Sheltered accommodation, as has been mentioned, has been evolving for decades. Perhaps 30 years ago the model was somewhat institutional, and there is a hangover from that in accommodation that is really just bedsits with oversight. A decade or so ago, local authorities, including my own, went through an elaborate and sometimes painful process of upgrading their sheltered accommodation. The Help the Aged campaign report, "Nobody's Listening", which was published about 18 months ago, charted that progress. Part of the evolution of the way that care is provided has been a move to so-called floating support services. The reasons for that are, first, the changes in demand for sheltered housing, which have been alluded to in the debate; secondly, the fact that the standard of much sheltered accommodation is in need of improvement, which requires investment; and, thirdly, the fact that significant numbers of sheltered housing residents do not require support services. They are the "wellderly" or "active elderly", or are described in other such phraseology. I was interested to hear about the paper entitled "How we keep the new old young" by my hon. Friend the Member for South Thanet (Laura Sandys), and I congratulate her on her practical work.

Other factors are driving changes in the way that services are delivered, including the difficulty in recruiting resident wardens, which can be quite acute and has inhibited schemes in some places. The European working time directive somewhat constrains the hours that wardens work, so that sometimes a 24-hour live-in warden is not, in practice, as one might suppose, on duty for 24 hours seven days a week. Those are the practical realities that must be faced, alongside the direct financial constraints.

My Department receives correspondence from residents of sheltered housing complaining about issues such as being required to pay for services that they do not want. By a twist of fate, it falls to me to answer this debate at a time when I am in active correspondence with one of my groups of sheltered housing residents; they are campaigning against a 24-hour residential service, as they believe that it would not be good value for money or helpful. Perhaps the irony is completed by saying that the organisation that they are campaigning against is Peverel, which insists that they must have residential wardens. We live in a complex world where black is not always black and white is not always white.

Sheltered housing, like all other support services, cannot be immune from the wider demographic, technological and economic challenges and opportunities that we face. We need to encourage innovative ways of caring for and supporting people, so that solutions are more personalised and make the most of emerging technology. There are various ways of doing that, and it does not have to involve bad stories about call centres.

Telecare can bring substantial benefits. It can assist people to remain in their own homes, and it can reduce inappropriate admissions to hospital—although judging

by the story recounted by the hon. Member for Birmingham, Erdington, that is not always the case. It can also provide cover to allow for early discharge from hospital and advance warning of deterioration in a person's condition.

Local authorities are rightly responding to the changes in this market—although market may not be the appropriate word—in care provision. The resources available for housing-related support services are being carefully investigated at the local level, which means that local authorities are reviewing the services that they commission.

I agree with the hon. Member for Birmingham, Erdington that local authorities sometimes get it wrong. My hon. Friend the Member for Stourbridge said that 50 legal challenges are being made against 20 local authorities; and my hon. Friend the Member for Hereford and South Herefordshire (Jesse Norman) said that that number might be bigger but for the legal barriers and hurdles that people had to surmount. Notwithstanding that, we should recognise that the majority of local authorities are getting on with the job. They are extending mobile support to older people in accommodation in the community, and the Supporting People programme gives them the flexibility to be innovative. Supporting People is tenure-neutral; it can be used to support people in private and charitable accommodation, and in third-sector and social housing. That is important.

What about consultation? Changes to housing-related support services should be designed to meet the assessed needs of service users, and changes to service delivery should take account of those people's views, with proper engagement and consultation with those affected. There are well established ways of doing that.

The Centre for Housing Support has been active in identifying and sharing good practice. In addition to its code, it works in partnership with TPAS, the Tenant Participation Advisory Service. It has provided deliverers of service with its publication, "Effective Resident Involvement and Consultation in Sheltered Housing: A Good Practice Guide for Providers and Commissioners". That is the textbook that I would want all providers to use when delivering those change processes. The code highlights the importance of the genuine involvement and engagement of service users—the people who live in the homes, the householders. Indeed, I am not sure that the phrase "service users" quite captures how important the home is to the people who live there.

Change is inevitable. Providers and commissioners need to be aware that, in preparing and reacting to change, they should involve the users of their service. They must ensure not only that the users are happy but that the changes are appropriate and that value-for-money services can be developed. The TPAS report addresses the barriers to effective engagement, and gives a number of case studies and examples of good practice.

My hon. Friends the Members for Stourbridge, for South Thanet and for Hereford and South Herefordshire and others have drawn attention to cases where that engagement is not happening. My hon. Friend the Member for South Thanet was eloquent in her critique of what she called the vertical integration of services provided by a particular company. It would not be appropriate for me to say a great deal about the specifics of that case, but I know that various residents' groups have approached the Office of Fair Trading on some of those matters. We should await the outcome, and a response, before commenting further. However, if issues of substance need to be addressed in relation to private provision, the Government would obviously want to take serious account of the evidence.

When developing and commissioning services, it is important that local authorities should take account of the views and experiences not only of residents but of best practice around the country. Consultation and needs assessment are critical factors in ensuring that changes in service are well managed and reflect the wishes of users, as well as enabling local authorities to meet the needs of all service users and give them value for money.

The importance of needs assessment and consultation with service users are built into the quality assessment framework for the Supporting People programme. The QAF was introduced in 2003, and it set out the standards that are expected in the delivery of Supporting People services. It also identified methods of producing evidence of achievement. Over the past five years, it has been a successful practical tool for ensuring continuous improvement in service delivery, especially for housing-related support.

The QAF was reviewed in 2008, after running for five years, to bring it up to date and to emphasise the need for high-quality individually focused services that aim to improve the outcomes for service users. The majority of administering authorities—local authorities with responsibility for the framework—continue to use it today. Evidence shows that other local authority services, such as adult social care, have adopted the QAF as the standard tool to measure the quality of services being delivered.

We welcome the fact that we are moving away from the centrally driven, target-directed delivery of local services. It is good to see that a tool is available to administering authorities—social services authorities and others—to allow them to monitor themselves, to ensure that they are accountable to those for whom the services are provided and that their services are delivered to a good standard.

The sheltered housing sector has an independent code of practice. It was developed in consultation with practitioners and service users, and is administered by the Centre for Housing Support. That code was devised back in 1993, and its standards have been continually refined and adapted. It is a way of passporting through the QAF and was the first independent code to receive such an endorsement. The code focuses on outcomes rather than processes—not on how one gets there, exactly, but whether the service is good and whether people are happy with it. It encourages providers to create local solutions better to meet and serve the needs of the community.

I have attempted to respond to the various questions raised during the debate. The Government take seriously the matters that were rightly raised by my hon. Friend the Member for Stourbridge, which were strongly underlined and reinforced by my hon. Friend the Member for South Thanet, backed up by my hon. Friend the Member for Hereford and South Herefordshire and mentioned in a number of interventions. As the hon. Member for Birmingham, Erdington said, there is scope for improvement. It is not the case that the previous Government had a monopoly of wisdom on this issue, although I imagine that the hon. Gentleman would say

[Andrew Stunell]

that neither do the present Government. There is work to do and progress to be made, and it is a key issue. I hope that I have been able to show the House that the Government take the problem seriously and will be listening hard over the coming months to ensure that residents of sheltered housing get the service for which they have paid and which they thoroughly deserve.

10.50 am

Sitting suspended.

Commercial Property

10.58 am

Mark Pawsey (Rugby) (Con): Before making my remarks, I first declare an interest as set out in the Register of Members' Financial Interests.

I want to draw attention to the position faced by a constituent of mine, Mr Peter Summers, who visited my surgery a few weeks ago. For many years, Mr Summers operated a business supplying tyres from an industrial unit he had purchased. At 67, he sold his business but retained the premises, and invested in a personal pension fund. He spent some money refurbishing the building, and let it in 2005 at an annual rental of £35,000. In 2008, the tenant occupying the building went into liquidation and vacated the premises, leaving Mr Summers with some arrears and reinstatement costs of some £3,500, but since then he has been unable to find a new tenant.

In respect of the liability to business rates, Mr Summers enjoyed a period of transition for the first six months, from April 2008 to September 2008, but since then he has incurred a significant sum in business rates. In the six-month period from 30 September 2008 to 1 April 2009, he paid £8,628. For 2009-10, he paid full-year rates of £18,066, and for the current year he has paid £16,071. Over that period of two and a half years, during which he has received no services, his total expenditure has been £42,776. At a time when Mr Summers might have expected to contribute £35,000 a year to his pension fund, he has paid net outgoings of £18,000 a year, a difference of £53,000 per annum.

People such as Mr Summers recognise, in holding commercial property as an investment, that by virtue of the economic cycle, which can go up and down, there will be times when such a property may be vacant and there will be no income. Most investors in property must live with that fact. Mr Summers is prepared to live with it, but it strikes me as unfair that in addition to the loss of rental income, he must now bear a further loss in paying business rates when he cannot meet the sum from his income. He is effectively paying for services he is not receiving. He now faces the prospect of selling his industrial unit in a distressed market where prices have been forced down. The downward pressure has been caused partly by other investors' concern that if they buy the property, they will be liable for the vacant business rate. Mr Summers came to see me to ask for my support in lobbying the Minister to rectify the position, which I believe is inherently unfair. I advised him that I was happy to do so.

The situation arose in consequence of a change to empty property rate relief that took effect in April 2008. For decades until then, the Government had helped struggling businesses through empty property rate relief. Shops and offices received an allowance of 100% relief initially and 50% thereafter, and owners of empty factories and warehouses received a 100% permanent exemption. The Government's intention in reducing empty property rate relief was to provide incentives to bring vacant premises into use by encouraging rents downward. The change was intended to encourage property owners to re-let, redevelop or sell empty non-domestic buildings

and improve competitiveness for all businesses, including small and medium-sized enterprises, in terms of property costs.

Gavin Williamson (South Staffordshire) (Con): I declare an interest as outlined in the Register of Members' Financial Interests. Has my hon. Friend found, as I have, that the changes, combined with the difficult market conditions, mean that speculative development of office or manufacturing property has stopped? Many small manufacturing businesses are concerned about expanding or taking on extra premises, because if the market weakens, they might end up paying rates on empty properties.

Mark Pawsey: I thank my hon. Friend for that contribution. I will make that point later in my remarks.

On the Government's original intentions, they recognised some difficulty with the proposals, and the position was changed slightly in the November 2008 Budget report to exempt from business rates commercial and industrial properties with a rateable value of less than £15,000. Regrettably, that is below the value of Mr Summers's property.

Lorely Burt (Solihull) (LD): I discussed the repercussions of the change with the previous Government on many occasions. I think that the level is £18,000 now, but in Solihull one cannot rent a broom cupboard for rates of £18,000 a year, as I know to my cost. I criticise the previous Government tremendously for the repercussions. I have constituents in Birmingham who are trying to rent out property for £1 a square foot just to absolve themselves of their problems with the rates. Will my hon. Friend exhort the Minister to consider whether, in this current economic climate, some form of marginal relief might be possible, just for the time being?

Philip Davies (in the Chair): Order. I remind Members that interventions, particularly in a half-hour debate, should be as short as possible.

Mark Pawsey: I am grateful to my hon. Friend for her contribution. I know that even in areas where rents have been reduced to the level that she mentioned, there are still no takers. If no businesses are willing to take the premises, the price is irrelevant. We know that the situation must change.

The regulations have been in force for more than two years and have had a number of effects, some of which the property industry expected and warned the Government about at the time of the change. On the failure to provide services, it can be argued in the interest of fairness that business rates are a tax on occupation with the intention of raising funds, in the same way as the council tax. However, clearly, if a property is not occupied, no services are being consumed, and it follows quite reasonably that no tax should be payable.

In many cases, the tax has become a tax on ownership rather than a tax on an income stream. Taxes are usually based on income streams, which means that they can be paid from profits earned. Again, where a commercial property is vacant, there is no income stream on which that tax can be levied.

Mr Marcus Jones (Nuneaton) (Con): I congratulate my hon. Friend on making an important and compelling case. Does he agree that the imposition of non-domestic rates on vacant commercial premises has led to an increase in the demolition of serviceable commercial premises and in the number of derelict sites blighting our towns?

Mark Pawsey: My hon. Friend, whose constituency neighbours mine, is entirely right. There have been unforeseen consequences, one of which is that it is more sensible for property owners to develop a property rather than retain it for future use.

The rates are almost a form of wealth tax, levied on ownership of an asset rather than the income derived from it, as was originally intended. In times of recession, many small businesses find themselves occupying properties too large for their immediate needs and look for a tenant to take their surplus space. Where they do so, the rents add to their income and the occupier of the business becomes liable for the business rate, but if they cannot find a tenant, they face the burden of further business rates. For most businesses, business rates make up their third biggest item of expenditure, after wages and rents. Also, business rates are a fixed cost. They do not decrease as turnover declines during recessionary times. I am concerned that in many cases, excessive bills are contributing to business failures and leading to higher unemployment.

A further unfairness is that it often takes a long time to find a tenant for vacant commercial property, a fact reflected in the time limit allowed for the non-application of rates. Even in boom times, an industrial property is likely to remain vacant for between 12 and 18 months. In the current economic climate, the loss of a tenant will almost certainly mean additional liability for business rates that might not have been budgeted for.

The effect on rental values has not been what the Government intended. They hoped that rental values would fall, but an April 2009 report by the Royal Institution of Chartered Surveyors suggested that that objective had not been achieved and that property owners were offering other incentives instead, such as rent-free periods. There has also been a detrimental effect on capital values. The same report found that because empty property rates make fewer investors willing to enter the market, investment levels in the sector have fallen.

Guto Bebb (Aberconwy) (Con): I congratulate my hon. Friend on securing this debate. The point about property values is important. In my constituency, responsible landlords have found themselves unable to proceed with property refurbishments and renewal work because they are paying rates on empty properties in other parts of the same area. The rates have a knock-on effect on the quality of the offer in towns such as Llandudno in my constituency.

Mark Pawsey: I thank my hon. Friend for his contribution; he makes a very good point. The hope that the application of empty business rates would encourage the property owner to accept lower rents in order to keep their buildings occupied, and that it would support businesses in the economy generally, has not been realised. There is a parallel here with the position taken by Opposition parties in respect of welfare reforms. The Opposition say that there is no point in trying to force people to take jobs because there are no jobs available. Similarly, there is no point in trying to

[Mark Pawsey]

force landlords to let commercial property cheaply if there are simply no occupiers to take up the space. There are absolutely no incentives for property owners to keep their buildings empty and not be active in seeking occupiers. In the case of Mr Summers, his failure over the past two and a half years to find a tenant has not been for the want of trying.

As mentioned by my hon. Friend the Member for Nuneaton (Mr Jones), one way in which property owners can avoid their liability for empty property rates is simply to demolish the property—if there is no building, there is no business rate. The RICS survey shows that the application of vacant property taxes is currently the strongest single factor in determining which buildings are demolished. It is often the older, less attractive properties for which, in times of recession such as now, it is more difficult to find a tenant. However, in most cases such properties are perfectly sound, usable buildings. An unintended consequence of the 2008 changes is that much of such low-cost industrial accommodation will no longer be available. Just as the country starts to emerge from recession, the start-up businesses that will be so important to our future prosperity will not be able to find any premises to operate from.

As my hon. Friend the Member for South Staffordshire (Gavin Williamson) mentioned, given the anxiety of completing a building, not being able to find a tenant and thus becoming liable for empty property rates, it is absolutely no surprise to find that property development companies are no longer developing commercial property on a speculative basis.

Esther McVey (Wirral West) (Con): I congratulate my hon. Friend on securing the debate. During the past couple of years in Liverpool and Merseyside, there has been considerable regeneration both as a result of speculative build and because people really wanted to put their heart into the city to develop and grow it. The tax on empty properties has stopped that process in its tracks because people wanted to look for secondary investors while developing inner-city areas.

Mark Pawsey: I thank my hon. Friend for that contribution. Clearly the redevelopment and stimulation of our town centres has been brought to a halt by this legislation, which has made that process much more difficult. Commercial property development companies are no longer building property speculatively—by which I mean property being built in the expectation of finding someone to occupy it, rather than having an occupier already in place. No new building has taken place and nothing has been left in the pipeline for later. Again, as the country emerges from recession, the consequence of that is that the accommodation needed by our businesses will still be in the form of paper plans, rather than completed buildings.

Andrew Bridgen (North West Leicestershire) (Con): I declare an interest in line with the declaration of Members' interests. Business rates are undoubtedly a tax. When a building is empty, there is no rent. The crux of the matter is that this is a tax on an asset that has no income. As my hon. Friend has pointed out, that is distorting the property market and leading people to make strange decisions. The cheaper properties at the bottom end of the market being used by start-up companies will be the first to be demolished.

Mark Pawsey: I thank my hon. Friend for his contribution. That point has been well made. Many years ago, I recall setting up my own business and occupying exactly the kind of property that would, by now, have been demolished. In my business's early days, secondary, inexpensive space permitted it to get started with relatively low overheads.

In addition to demolishing existing building, we will end up with no new building. My concern is that, as we emerge from recession, there will be no new industrial units for our businesses to occupy as they grow. That will have a significant effect in delaying our country's ability to emerge from the current recession. I am particularly concerned about the plight of small businesses and small private investors.

John Stevenson (Carlisle) (Con): For the record, I would also like to declare an interest in accordance with the register. Is the localism agenda not part of the solution, in that it should be up to local authorities individually to decide what should be charged and what percentage of relief should be given? That would reflect market conditions in different parts of the country.

Mark Pawsey: My hon. Friend makes an excellent point, which I am sure will be taken up by the Minister in his response. We are moving into an era of localism and it should be appropriate for individual authorities to make their own decisions on the matter, rather than having legislation imposed on them from on high.

Returning to the case of Mr Summers, the position of small private investors and small businesses contrasts significantly with that of larger, more established property companies that can absorb this cost in the round and are better able to respond. Of course, the business community fully accepts that the coalition Government need to take decisive action to deal with the country's deficit, and that any proposals such as those articulated by my hon. Friends this morning need to stand up against many other calls on the public finances at this difficult time. However, I contend that the consequences of the abolition of empty property rate relief on a significant proportion of the country's commercial property estate means that the matter should be given urgent and special attention.

11.16 am

The Parliamentary Under-Secretary of State for Communities and Local Government (Robert Neill): May I start by saying what a particular pleasure it is to serve under your chairmanship, Mr Davies? I wish you well in this new elevation.

I congratulate my hon. Friend the Member for Rugby (Mark Pawsey) on securing the debate. It is an important topic and he put his case very cogently. I also thank hon. Members who intervened for the various points they made. The Government are alert to those points and want to take them on board, subject, of course, to the circumstances I shall set out briefly.

As I said, this is a very important matter, and I am glad that my hon. Friend has drawn hon. Members' attention to it because he has given me the opportunity

to set out the Government's position on business rates and the issues surrounding empty property relief. An important thread in my hon. Friend's comments that I endorse is the importance of the private sector. The Government fully recognise that the private sector is the driver of economic growth. That is why we are committed to rebalancing the economy and supporting business to provide the growth in jobs that the country needs.

Indeed, the Prime Minister's announcement at the start of this month set out the Government's plans to help small and medium-sized businesses to flourish and to encourage entrepreneurs. He has appointed Lord Young as his enterprise adviser and asked him to write a brutally honest report on what we, as a Government, can do to help smaller enterprises and start-ups, as mentioned in the debate, to prosper. Business rates are an important consideration, along with several others that I am sure my hon. Friends will appreciate the Government also want to address.

Andrew Bridgen: Does the Minister agree that the lack of Opposition interest in today's debate reflects the callous indifference of the previous Government to the plight of the small business man in the UK?

Robert Neill: My hon. Friend has stolen one of my lines. I appear to have lost any form of shadow. It is interesting indeed—

Philip Davies (in the Chair): Order. We ought to reflect that, in a half-hour debate, one would not necessarily expect anyone from the shadow ministerial team or, indeed, any other Member to be present.

Robert Neill: I understand that, Mr Davies, but there are criticisms of the previous Government's approach that I intend to make, and it is interesting that it is coalition Members who have attended to support the interests of businesses.

The Government, recognising the difficulties that we inherited when we came to power, have done much to support business. In the June Budget, we announced that we would reduce both the main rate and the small profits rate for corporation tax, which is another major outgoing; increase the threshold for employer national insurance contributions; and reduce employer national insurance contributions for new businesses in targeted areas.

Justin Tomlinson (North Swindon) (Con): On that point, does the Minister agree with me that if we used the national insurance holiday money to allow flexibility in the business rates for start-ups, we might see new businesses start up and new job creation?

Robert Neill: That is an interesting suggestion that I will take away. As I will say later in my speech, we intend to give a great deal of thought to finding ways forward.

We have also increased the enterprise finance guarantee, created a new growth capital fund and set up a regional growth fund. All those measures taken in the Budget set out the broader picture. We have also taken important action on business rates. In the Budget, we announced our intention to waive £175 million of backdated business rates demanded of businesses, including some, although not exclusively, in ports. Thanks to that action, many companies across the country, particularly small and medium-sized enterprises, can now move forward confidently, unburdened by those unexpected debts. We will introduce the necessary legislation to achieve that in the localism Bill.

We also took action in the Budget to help small businesses through the business rates system. We are well aware that small businesses provide nearly 60% of our jobs and half of our GDP. We recognised the need to inject new life into that part of the private sector, so that enterprise can drive recovery. We therefore doubled the level of small business rate relief for one year—a measure that is currently saving approximately 500,000 businesses £390 million in taxes. More than a third of a million ratepayers will pay no rates at all for that year.

Alun Cairns (Vale of Glamorgan) (Con): I congratulate my hon. Friend the Member for Rugby (Mark Pawsey) on securing the debate. Does the Minister accept that business rates have a disproportionate effect on smaller business, which is demonstrated by the rate relief scheme? I accept the generosity of the rate relief scheme that has been offered, but does he not acknowledge its short-term nature? Businesses need to be able to plan over the longer term.

Robert Neill: I accept that the measures we have taken are for a targeted and limited period, but they are within the resources available to us, given the economic circumstances we inherited. There are longer-term plans, which I will discuss in a moment. My hon. Friend is right that we need to plan more comprehensively for the longer term in this regard, but it is worth noting that those two measures alone amount to more than £500 million of targeted support for more than 500,000 ratepayers to assist businesses in the current climate.

I would like to mention three other proposals on business rates that are aimed at supporting business and local authorities. First, we will ensure that all future business rates supplement projects, when they fund both more or less than one third of an overall project, will be put to the ballot, so that liable businesses can decide whether to impose the business rate supplement upon themselves. Liable businesses will therefore be able to vote for, and in effect approve, the planned economic development project that they will be funding. That was not available when the business rate supplement scheme was introduced by the previous Government. We think that it is right to ensure that there is only taxation with representation for small businesses in those circumstances.

Secondly, as announced in the coalition agreement, we are committed to finding a practical way to make small business rate relief automatic. We are determined to end that needless red tape that business faces and ensure that ratepayers get all the relief to which they are entitled, and I hope to be able to give hon. Members more details of that before too long. Finally, the Conservative party manifesto proposed that local authorities should be given new powers to introduce further discounts on business rates so that local authorities can respond to local circumstances by reducing business rates bills. The coalition Government are currently considering the scope of such powers. Again, I hope to be able to say something on that before too long.

[Robert Neill]

I would also like to take the opportunity to set out our plans for the local government resource review, which will enable us to look at those longer-term, across-the-piece plans for business rates. We are committed to providing incentives for local authorities to promote economic growth through the business rates system. We outlined our proposals to enable councils to retain locally-raised business rates in the local growth White Paper. The philosophy of that White Paper recognises the point that my hon. Friend the Member for Carlisle (John Stevenson) made in his intervention on the advantage of giving greater local power in the setting of those rates. The proposals are designed to devolve exactly those sorts of freedoms and responsibilities to the local level as part of our decentralisation agenda.

We propose to take the work forward through the local government resource review starting in January, but I would like to reassure Members that that review will ensure that appropriate protections are put in place for businesses. We are clear that businesses should not be subject to locally imposed increases in the burden of taxation. We have made it clear that businesses would have the right to hold a binding vote on any supplementary business rates, as I have already said. A much more significant piece of work on business rates will come along in the new year.

Turning to empty property rates, we recognise that property taxes, in the form of business rates, are among the highest in Europe, and businesses would like us to do more to reduce that burden, which impacts on their growth and investment decisions. Nowhere is that more true than in relation to empty property rates. My hon. Friend the Member for Rugby set out extremely clearly the problems caused by the previous Government's reforms of empty property rates—problems that we fully recognise. I assure him that the present Government have tremendous sympathy with the position that his constituent, Mr Summers, finds himself in.

As my hon. Friend pointed out, from 2008-09 the exemption periods were restricted to three months for non-industrial property and six months for industrial property, with ratepayers being liable for full rates once the exemption period has lapsed. As he also pointed out, it is true that the previous Government claimed that the purpose of the reforms was to increase the costs of holding empty property, as a way of encouraging owners of commercial property to re-let, redevelop or sell empty properties—or so it was postulated. That argument was based on an economic theory that was not, and is not, fully accepted by the business community or by many Members of this House. The previous Government also estimated that the change would increase net tax yield by £950m.

Faced almost immediately after the introduction of the reforms with deteriorating economic conditions, the previous Government recognised, perhaps surprisingly, that the reforms made things more difficult for owners of commercial property. That is why they introduced the temporary £18,000 rateable value threshold, below which empty property was exempt from business rates. As Members will be well aware, that threshold is due to revert automatically to £2,600 on 1 April 2011.

The economy is coming out of recession and growing again, thanks to this Government's policies. That should improve prospects for landlords seeking tenants for empty properties, but we recognise that ratepayers would like us to undo the previous Government's changes or to continue with the temporary measure. We fully understand and appreciate that view; the difficulty is that our ability to take action on the reforms must be balanced against the high costs involved, the targeted support on business rates that we have already provided, and the overriding need, as my hon. Friend recognised, to reduce public expenditure and support the economy by reducing the deficit.

I assure my hon. Friend that we most definitely recognise the problems caused by the previous Government's unfair changes. We will certainly keep the matter under review in the light of the work that we propose to undertake, and we will keep in mind the position of Mr Summers and others like him. We want to work constructively with the property industry on this inherited problem that we are trying to sort out, and to take appropriate action as and when our national finances allow. I hope that the major actions that we have already taken on business rates and those that we will be taking through the localism Bill demonstrate our commitment to providing targeted support to businesses through the business rates system. I thank my hon. Friend again for raising the matter.

11.30 am

Sitting suspended.

Flooding (West Cumbria)

[JIM SHERIDAN *in the Chair*]

2.30 pm

Tony Cunningham (Workington) (Lab): It seems rather appropriate to have this debate on a day when floods have hit Cornwall. It is nice to see so many Cumbrian colleagues in attendance. I thought I would begin by doing something that I think is appropriate. On the day of the floods we lost a very brave police officer who undoubtedly saved many lives; he left a wife and four children. We then had a terrible bus crash, in which two young people and the driver lost their lives. On top of that, we had the terrible horrors of the shootings that took place not too long ago in the constituency of my hon. Friend the Member for Copeland (Mr Reed). I therefore ask Members to stand with me in silence for a few moments to commemorate those losses.

A period of silence was observed.

2.31 pm

Tony Cunningham: I thank hon. Members. The families and friends of those who lost their lives and the entire community of west Cumbria will have greatly appreciated that.

My memories of the floods are almost surreal. I had already spoken with the Environment Agency when river levels were rising, but when I walked into my local in Workington, the Green Dragon, everyone gathered there was, unusually, glued to the television screen, watching with incredulity. They could not believe what they were seeing: lifeboats on the main street of a small market town, and floods that, at their height, were eight or nine feet high. At one stage, the lifeboats could not be launched because of the speed of the river. I rang the then Secretary of State for the Environment, Food and Rural Affairs, my right hon. Friend the Member for Leeds Central (Hilary Benn), who had just got back from Brazil. He agreed to come up, and the following morning I was standing with him on the market place in Cockermouth, just off the main street, and the water around us was still very high. All we could hear were helicopters, and there was a bright yellow RAF helicopter winching someone to safety.

The phrase I used in my first television interview after the floods was not mine. While my right hon. Friend was being interviewed, I turned to someone from the town and said, "This is just unbelievable." He replied, "Yeah, Tony, it's like something out of the Bible." The Sky television interviewer then asked me how I would describe the floods, and I immediately said that they were of biblical proportions. That was copied and echoed by many newspapers and so on, and people said that I was clever to think of it, but the words were those of a constituent who just happened to be standing next to me.

On that first day, we got in touch with Cumbria Community Foundation and launched an appeal. The nuclear industry in particular was extremely generous, giving tens of thousands of pounds to start it off. Cockermouth, Workington and Keswick are relatively small towns, but we raised about £2.5 million in that appeal, which says everything about the generosity of west Cumbrians, of Cumbrians and of the rest of the country. In fact, donations came in from other parts of the world.

The real heroes in the early days were the emergency services. What I am about to say I say not in anger, but in sadness. The police were absolutely superb in those early days, and yet today they are facing 20% cuts. The police community support officers who did such a fantastic job are now threatened with redundancy, and I understand that the number of local neighbourhood policing teams is to be cut from 21 to 10.

Mr Jamie Reed (Copeland) (Lab): My hon. Friend makes a powerful point about our local police. Like me, he spends a lot of time speaking with members of the police force, including PCSOs. After the year they have been through, how do they feel they are being treated at the moment?

Tony Cunningham: They feel let down, is the honest answer. I recently received a letter from a PCSO in one of the towns I represent—I will not mention which one—who made just that point. She said, "When the community needed us, we were there. We now need the state, the county council or whatever to help and support us. I hope they will be there for us."

Turning to the ambulance service, there was recently a vote of no confidence by nurses in both the West Cumberland hospital and Carlisle hospital in the local trust because of cuts, changes to working patterns and so on. They did an incredible job, and not only during the floods. My hon. Friend the Member for Copeland was there for the people he represents after the shootings in his constituency, and we can only imagine what it must have been like for those nurses having to deal with that. In such small communities, the victims were often people they knew, and gunshot wounds, as we know, are particularly horrific. Yet this is where they are now.

With regard to the fire brigade, I would like to ask the Minister to respond to a quote from the Pitt report, which states:

"The Government should urgently put in place a fully funded national capability for flood rescue, with Fire and Rescue Authorities playing a leading role, underpinned"

as a necessity

"by a statutory duty."

That recommendation was published in 2007, and I wonder where we are now. I talked with my local fire officers just a couple of hours ago. The centre where gold command worked during the floods was in Cockermouth, in the fire and rescue service headquarters. That is now going. The service has been offered either a relocation to Penrith, with a reduced number of staff, or outsourcing, which means they would all go. They co-ordinated the entire rescue, with the police, the coastguard and everything else, but that is what they tell me is happening to them.

Tim Farron (Westmorland and Lonsdale) (LD): I sympathise very much with the hon. Gentleman's points. He listed the three professional emergency services that played such a crucial role a year ago, as they have done many times since. He may be coming to this point, but for many of us in Cumbria there is a fourth emergency service: the mountain rescue teams. His party's Government refused to give back the VAT and vehicle excise duty that those teams have to pay from their voluntary donations. The present Government have made sympathetic noises about that. Will he join me and other Members

[Tim Farron]

in pressing the Government to release what is a relatively small amount of money to give those teams not only a financial boost, but the formal endorsement that we, the community, recognise the value of their work?

Tony Cunningham: I thank the hon. Gentleman for his comments and congratulate him—or perhaps offer my commiserations—on becoming president of his party. It is a great honour for him and for the county, so well done.

The hon. Gentleman can have a look at my speech notes, if he wants, but the next two words on the page are "mountain rescue". Cockermouth mountain rescue team, in particular, gave immense help. It is unusual for people in my position to apologise, but I will, because we should have done as he suggests and exempted mountain rescue teams from VAT. I fed that into the Government whenever I could, but it was always resisted. I am happy to apologise for the fact that my Government—the Labour Government—did not do that. I fully support what he, the hon. Member for Penrith and The Border (Rory Stewart) and others are trying to achieve, because it is important. There is a symbolism associated with it. It would say to the mountain rescue teams that they are recognised, and they should be rewarded and congratulated. As a little aside, in 2001, my very first question at Prime Minister's Question Time was on mountain rescue teams. I have a great affinity with them, and I am happy to support what the hon. Member for Westmorland and Lonsdale (Tim Farron) proposes.

Something else that is close to my heart is the lifeboat service, and during the floods the Maryport inshore rescue lifeboat in particular did incredible work. Just before the regional development agencies were disbanded, we had agreed a sum of about £1 million to build a new lifeboat station. That service now has a brand-new lifeboat, but nowhere to put it. It had planned to put it into a brand-new lifeboat station in Maryport, but there is no RDA funding.

I could go on discussing the emergency services. The RAF, too, did an incredible job, as did the coastguard and an organisation that many of us did not really expect to see: the Royal Society for the Prevention of Cruelty to Animals. That sounds strange, but the RSPCA was involved. I can remember being at a barrier set up to keep people away from the danger, and an elderly couple came up to me whose only concern—whose greatest concern—was their pet, which had been left in their flooded house. I got in touch with the RSPCA, which got a basket and rescued it. We should not forget its contribution.

The Environment Agency, in particular Glyn Vaughan and his team, did and are still doing a tremendous amount of work. In all the discussions and debates that the Minister will have on budgets, he should ensure that the Environment Agency is protected as much as possible.

Mr Reed: Before my hon. Friend moves on too much further, we do not yet know the cost of the Cumbria floods. I believe that the insurance adjustments are about £200 million so far—I repeat, so far. The RSPCA undertook a fundamental role in protecting livestock. Has he spoken to any farmers—I know that he has spent a great deal of time with them over the past year—who need feed for their herds and cattle about the role of the RSPCA and how much money it may have saved them?

Jim Sheridan (in the Chair): Order. Could I ask Members who make contributions to speak into the microphone, so that the *Hansard* reporters can pick up what they say?

Tony Cunningham: Thank you, Mr Sheridan. I very much concur with my hon. Friend's comments, and farmers are saying that. Let us not forget that hundreds, if not more, of cattle, sheep and other livestock ended up out in the Solway Firth, having come down the Cocker or Derwent rivers and been swept away. The livestock were hugely important, but the fields are still covered by boulders and debris and there is still a huge amount of work to be done.

I also pay tribute to volunteers, of whom there were hundreds during that extremely difficult time. I am not sure how many of us would put up complete strangers. I am not sure how many of us would say to someone we had just met on the street, who had only the clothes that they were wearing, "Come and share my house with me," yet that is what people did. They offered their own homes and bedrooms; they fed others and looked after them.

Another group I pay tribute to—I know that the hon. Member for Westmorland and Lonsdale will agree with me—is the churches. We forget at our peril the spiritual side of all of this. When people are going through trauma and difficulties, having lost their home and possessions, it is important to be able to talk things through with others. The churches were on the streets, not just offering tea, coffee, sandwiches and so on, but listening and talking to people, and being there for them. The churches together played a huge role, particularly in Cockermouth.

I also pay tribute to the local authorities, who did a tremendous job, in particular Jill Stannard, the chief executive of Cumbria county council. Other Members here will have known Jim Buchanan, a good, honest and decent man who passed away quite recently. I pay a personal tribute to him. [Hon. Members: "Hear, hear."] I also thank Harry Dyke and Jill Elliott from Allerdale borough council.

While I am thanking people, I should thank the media—I do not do that very often—both national and local. The Sky coverage was excellent, as was that of Border Television, BBC Radio Cumbria, and in particular my local newspaper, *The West Cumberland Times and Star*, and Nicole Regan and her staff. Their conduct was fantastic.

Mr Reed: I am speaking into the microphone this time, Mr Sheridan.

My hon. Friend mentions the role of the media in the floods last year, and the crucial public service that they performed in informing people about water levels, weather forecasts and the emergency responses that were in place. Was he as saddened as I was to see such a stark contrast between how the media undertook and performed such a fundamental good this time last year, and how they acted in June?

Tony Cunningham: My hon. Friend is absolutely right. In a sense, the media were with us for the floods, but during the terrible incident of the shootings—we have spoken about this in other debates—elements of the media behaved deplorably, offering people money and so on, so that within days the vast majority of people in west Cumbria wanted them to leave them alone.

I have said that the floods rose to nine feet. I talked about sheep and cows going down the river, but there were also containers—think of the size of a container on the back of a lorry—Ford Transit vans and people's garden sheds swept down. It was incredible. Much of the focus was on Cockermouth, where businesses were devastated and the flooding was horrendous, but I also want to mention Hall Park View, which is in Workington. It was completely flooded—every house under several feet of water. People there felt that the focus was not on them because Hall Park View is just a single street, but they suffered equally. They got a little angry sometimes, and I can understand that. However, I was speaking to a resident from Hall Park View whose house had been flooded by several feet of water and I asked her, "How are things?" She said, "Well, Tony, there are people much worse off than us." I thought that that summed up the spirit.

Rory Stewart (Penrith and The Border) (Con): The hon. Gentleman will also please remember the communities of Eamont Bridge. The suffering of Cockermouth was truly terrible, but even in places such as Eamont Bridge near Penrith, there was terrible devastation of people's lives and families. Perhaps we could look at institutional mechanisms that we can put in place to try to ensure that such things do not happen again. In Eamont Bridge, I noted the huge complexity of dealings with the Highways Agency and the Environment Agency, and trying to measure river flow. What sort of institutional procedures can we put in place to ensure that that does not happen again?

Tony Cunningham: I offer my sympathies to the hon. Gentleman's constituents. As well as Hall Park View, the village of Barepot was completely devastated, but because it was on the other side of the river, people tended to forget about it. In Camerton, people could not bury their dead because the churchyard was flooded. Wives could not be buried next to their husbands and so on—it was horrendous.

On the second part of the hon. Gentleman's question, there has to be co-ordination by a range of organisations, but the money has to be in place. I shall deal with local models a little later, but we could learn a great deal from the flood action groups—Sue Cashmore's group in Cockermouth and Cecil Thompson's group in Workington. Sue's group, working with Brian Watson, actually has a structure. It has a chair and sub-committees, including ones dealing with the media and the Environment Agency. It is a very professional organisation, from which we could learn a great deal.

We have said that Cockermouth flooded, Workington flooded, houses flooded and so on, but that was only part of the story. The hon. Gentleman mentions Eamont bridge. The bridges going down in west Cumbria was absolutely devastating. Not only did it result in loss of life, but we lost Harbour bridge; we lost Northside bridge, where PC Barker lost his life; and we lost Navvies bridge. Workington, or Calva, bridge is still not open. On the Saturday, the Papcastle bridge was closed as well, and I talked to a taxi driver the following day. He had already agreed the fare—£5 or £6—to go from Workington to Seaton, which is a journey of about a mile. Someone standing in Workington can see Seaton. That day, the taxi driver did a 180-mile round trip: he drove from Workington to Penrith, Penrith to Carlisle, Carlisle to Maryport, and Maryport to Seaton. He then dropped his passenger off—for a fiver—and drove all the way back. That gives hon. Members some idea of the difficulties that we faced. On top of that, even when Papcastle bridge was repaired, people were still doing 20 or 30-mile round trips, when a mile would normally have done. The forbearance and patience of people in Seaton, Siddick, Northside, Barepot and further afield who were having to travel such huge distances, was absolutely incredible.

Mr Reed: My hon. Friend is giving a moving, telling and detailed description of the events of last year. He has talked about the travel chaos and the absolute devastation that was caused to businesses and to people's ordinary lives, but would he, as a former teacher, care to talk about the effect on the schooling of children in our part of the world—not just the effect on academic achievement and attainment, but the impact of the disruption to their lives, including their psychological well-being?

Tony Cunningham: I am very happy to do that. I spoke to the then Secretary of State and the Schools Minister, and made the point that it might have to be borne in mind that, because of the disruption, some of the students would not do as well in their exams as they could have. They were having to get up two hours earlier and were then stuck in traffic, going round and round. Those who had been flooded out might have been living in a caravan, rented accommodation or a bed and breakfast, and might not have had a computer or been able to do their homework. All that had a massive effect. I was delighted that the Government gave additional funding for extra buses, but having to travel 30 miles to get to school, perhaps arriving late, and then leaving early and missing lessons so as to get back, also had a massive effect.

The big change came within a week of the floods, when we managed to get a footbridge up and running. People said to me, "Why did it take a week?" and I was thinking, "Hang on. We've done very well to get it done in a week." I want to pay tribute to the Army, who did a fantastic job. I think that the footbridge came from Bedford. Getting a footbridge from there to Workington and getting 200 soldiers up there to pile both sides of the river and get a bridge across in a week was a phenomenal achievement, and it said an enormous amount about the armed forces. The local people took them to their hearts and kept going down with pizzas, cakes and sandwiches. After a few days, I spoke to the Army officer in charge and he said, "What is marvellous is that we have to do lots of drills and practices, and it's nice to do something for real that makes a huge difference to the lives of people here."

Tim Farron: The hon. Gentleman rightly pays tribute to the swift work that was done to tackle some of the worst infrastructure problems. The previous Government,

[Tim Farron]

the local authority and the emergency services deserve credit for much of what has happened over the past 12 months. It is worth flagging up, however, that in Backbarrow in my constituency there is still no footbridge. Some 12 months on, the residents who live on one side of the river—the overall majority of the population—have no means of getting easily across it to where Leven Valley post office and primary school are located. Still today, children are being bused in to a school to which they ought to be able to walk. That is a county council responsibility, but perhaps the hon. Gentleman might ask the Minister to intervene, as the case is relatively easy to fix. That community is still rent in two.

Tony Cunningham: I am sure that the Minister has taken appropriate note of that. As the hon. Member for Westmorland and Lonsdale and the other Cumbrian MPs know, in the near future hopefully all six Cumbrian MPs will meet, and one issue that we will look at is flooding and bridges.

Mr Kevan Jones (North Durham) (Lab): I join my hon. Friend in congratulating the Army, and I also congratulate the reservists on the role that they played in securing the footbridge. The Minister had a bit part in the Government's response to the Cumbria floods. Does my hon. Friend not worry, as I do, that with the abolition of the Government office for the north-west, which played a key role in co-ordinating not just the Army's response but that of other agencies, and the abolition of the other RDAs, there will be a gap there for any other future natural, or other, disaster in the English regions?

Tony Cunningham: I share that concern. I am delighted to see here the former Secretary of State for Environment, Food and Rural Affairs, my right hon. Friend the Member for Leeds Central, who vividly remembers the floods.

On the first morning, I rang Steve Broomhead, the chief executive of the regional development agency, and said, "There's devastation here. If you look down the main street you will see that businesses have been flooded beyond repair." He said, "You can have £1 million," and not only did he deliver on that, but in the end he delivered £1.45 million to businesses. About 90% of the businesses in Cockermouth are back up and running, due in large part to the care, work and effort of the RDA, and that will be sorely missed.

Rory Stewart: This incredibly useful contribution is a fantastic way of raising with Parliament and Ministers the problems with the floods, and with planning for the future. May I push a little, not just on resources but on what we can actually do regarding planning, institutions and training? Looking at the current water levels in my constituency, and at what is happening to the world's climate in general, what worries me is that we might be moving into a world where this happens far more frequently than we would like. Are there things, apart from providing money, we could do to ensure that this is a priority for the years to come?

Tony Cunningham: There are things we can do. I mentioned the Pitt report, which I hope will be implemented. That will give a statutory role to all this planning. I am not saying that lack of maintenance caused the floods—they were created by the huge amount of rain—but dredging needs to take place, and we need to maintain our rivers. Part of the reason why the tree trunks and the branches came thundering down the rivers was that the rivers had not been cleaned out. If the Environment Agency has to make dramatic cuts in its budget, I am worried that one thing it will not do is all the general physical maintenance—the cleaning and dredging. That concerns me, and I am sure it concerns others.

Thomas Docherty (Dunfermline and West Fife) (Lab): Will my hon. Friend give way?

Tim Farron *rose—*

Tony Cunningham: I will give way to my hon. Friend, and then to the hon. Gentleman.

Thomas Docherty: I congratulate my hon. Friend on securing the debate. He will probably share my concern that the Government are cutting by a minimum of 20% the flood defences budget—I remember that from the Environment, Food and Rural Affairs Committee. Does he agree that that will do nothing except increase the likelihood that we will see such tragic events in Cumbria and elsewhere in the country?

Tony Cunningham: I agree, and the best example I can give, if you will bear with me, is Carlisle. The flood defences created there cost about £35 million, and at the time of the Cockermouth floods, those defences held—only just, but they held. The estimated cost to the Exchequer—the state—of cleaning up if we had not invested that money was about £70 million or £80 million. Cutting back on flood defences and resilience measures is a short-term approach and does not value the long-term benefits accrued by investing now and in the near future.

John Woodcock (Barrow and Furness) (Lab/Co-op): I congratulate my hon. Friend on securing the debate. Powerful points have been made about maintenance and the need for co-ordination, and although he is right about the flooding in west Cumbria being of "biblical proportions", does he agree that both co-ordination and maintenance were absent in Ulverston in south Cumbria and in the surrounding areas affected by flooding? There needs to be maintenance of investment and greater co-ordination to prevent buck-passing between agencies and local authorities. We have to grip this now if we are to prevent a repeat of the problem, as we have seen in the past week in Lowick Green, where the Farmers Arms flooded again, almost to the day that it was afflicted last time.

Tony Cunningham: I agree, and co-ordination has to take place. If we do not invest now, we are only storing up problems and difficulties for the future. It is a little simplistic to say, "Well, we've got these budget cuts that we need to make". To cut off or slow down funding now, which will mean a huge loss of investment in years to come, does not make any sense to me.

Tim Farron: The hon. Gentleman is being characteristically generous. On the point about co-ordination being so critical, I pay tribute to the right

hon. Member for Leeds Central (Hilary Benn) for the all-party work that helped the Flood and Water Management Act 2010 pass at the end of the previous Parliament. It gives out co-ordination powers and various responsibilities. Does the hon. Gentleman agree that that means that those authorities that have been given responsibility need to take it? I have two examples. First, many communities around the Lakes, in my constituency and in others in Cumbria, such as Bowness and Ambleside, flooded because of poor preparation regarding the maintenance of water levels in the Lakes at the wrong time of year. Secondly, one only gets a flood warning text if there is a risk from river water flooding, not if the risk is from surface water flooding. Those issues need to be tackled, because although it may have been a once-in-a-thousand-years occurrence looking backwards, as my hon. Friend the Member for Penrith and The Border (Rory Stewart) said, looking forwards, these will be much more regular occurrences.

Tony Cunningham: I agree. Picking up on the hon. Gentleman's point about co-ordination, I actually began having meetings with Cockermouth flood action group before the floods, and I have had meetings with Barepot-Workington flood action group as well. One of the things I always insist on is inviting Natural England, the Environment Agency, the Lake District National Park Authority, the Highways Agency, the local council and so on. Doing so avoids the issues that the hon. Member for Westmorland and Lonsdale raised. If we are all sat round the same table with the residents from the action group, it is difficult to pass the buck and say, "Well, it's not us, it's the county council", or, "It's not us, it's Natural England".

Mr Reed: The hon. Members for Penrith and The Border and for Westmorland and Lonsdale are right: more can be done that does not necessarily require additional hundreds of millions of pounds of expenditure. However, as my hon. Friend said regarding Carlisle, not only did the expenditure there save up to 3,000 homes on the night of the 2009 floods; it saved 1,200 jobs at McVitie's biscuit factory. The cost saving there alone was well worth the £35 million that went into the flood defences.

Does my hon. Friend agree that we need hard defences as well as the soft defences further on in the environment? Parton, a village in my constituency, that has suffered in the past from flooding now has its own flood action group. People take shifts at 2, 3 or 4 o'clock in the morning when the rain falls, alert each other, put down the sandbags and put in the flood barrier defences. We had council workers working in their spare time—unsalaried—and local businesses, such as drainage firms such as Mayson Bros, providing investment out of their own pocket. They were not contractors; they were doing it because they wanted to do it. That is the definition of something that has existed for 200 or 300 years—the big society. That same building company, if it is on the bones of its backside because the contracts are not coming in, and that same council worker, if he is still in a job, probably will not be inclined to put in that extra effort now—

Jim Sheridan (in the Chair): Order. May I say that interventions are becoming a bit lengthy? I think we get the point.

Tony Cunningham: I agree with my hon. Friend. Sue Cashmore and Brian Watson's group in Cockermouth has looked again at what happens when they get a flood warning—who goes where and to which high ground and which buildings, and how many people there are. It is all organised and sorted, so if that is what the big society is, they are doing it and have been for some time.

I mentioned the footbridge, which was vital, but we needed a road bridge, and the only bridge that existed was the railway, so we needed a new railway station and a train to run between Maryport and Workington, because that was the only way of getting across the river. I pay tribute to my right hon. Friend the Member for Tooting (Sadiq Khan), because whenever I went to him and said, "I need", he said, "You can have". There was rarely a hesitation. I said, "Look, the need is desperate. We need a road bridge quickly". I think we got a road bridge in about three months, which cost about £5 million. That is a lifesaver for people on both sides of the river. The free train cost about £1.5 million, and sometimes it was full and had to do extra journeys, but it kept the wheels oiled and turning. I am delighted that my right hon. Friend is here.

Thomas Docherty: On that point, would my hon. Friend care to comment on the roles of Network Rail and the train operating company, and on how they responded to the situation?

Tony Cunningham: The team of companies that got the new rail station up in, I think, six days, which is an incredible record, won a national award at Grosvenor House. We have all seen when travelling by train the people at the ends of platforms taking the numbers, and one of the funniest things was that they flocked to west Cumbria. There was a new train and station, and they were there taking photographs, which helped the tourism industry enormously. Strangely enough, the chief executive—the top man—of Direct Rail Services Ltd lives in Seaton, so it was useful for him to be able to get backwards and forwards.

Tim Farron: This will be a brief intervention as the hon. Gentleman has been very generous. On tourism, I wonder whether it is worth pointing out that the media, which did a wonderful job during the flood crisis, as has been said, nevertheless also contributed—probably inadvertently—to the general sense that Cumbria was closed for business. When the flood waters went away, perhaps even after a week or 10 days, people as close as Lancaster would not visit the Lake district because they assumed that we were all in complete chaos. As may have been noticed, I have kept out of the resource discussions, but as the hon. Gentleman will doubtless agree, a strong marketing operation is utterly crucial, so that Cumbria can stand up against those problems and ensure that it is clear that it is open for business when such things happen, as they occasionally and inevitably do.

Tony Cunningham: I very much agree, and I want to touch on tourism a little later. There are ongoing problems; there are businesses still not back in operation and people still out of their homes. I want to highlight one particular case that I have been trying to deal with: that

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of Mrs Michelle Lockett, who is still not back in her home due to disputes between loss adjusters and the insurance company.

I am sure this is only a coincidence and has nothing at all to do with the debate, but, strangely enough, I got an e-mail this morning—we should remember that this situation has been going on for 12 months. In it, a guy from the National Insurance and Guarantee Corporation—the insurance company—says:

"The current position with this claim is that the majority of the Buildings element of the claim has been settled...With regards to the Contents element of the claim we have agreed to accept this part of the claim subject to the normal terms and conditions".

I want to send a clear message to NIG and Crawford that I will be watching this case very closely.

Having said that, I am not going to have a go at all insurance companies and loss adjusters. When I meet them, they say that 70 or 80% of people are happy with what went on. There are examples of good practice among such companies. Some people in Cockermouth were back in their homes within a couple of months. I am not, therefore, having a go, but there is still a lot of work to do.

Mr Reed: Does my hon. Friend agree that the insurance industry, of course, also includes practitioners of whom we would not want to see too many? However, the insurance industry and the insurance companies were a pivotal component of the community's response in getting back on its feet after the floods.

Tony Cunningham: Yes, absolutely. I pay tribute to the insurance companies and the good loss adjusters, but I want to remind people that things are not perfect. If people are still out of their homes after this length of time, something has obviously gone wrong.

I have a few ideas for the Minister from constituents—people such as Sue Cashmore and Michelle—about how insurance can be developed. I will not go through those ideas now, but leave them with the Minister. I ask him to take serious cognisance of them, because local people often have some very good ideas. I also had a visit from the CBI recently. It had concerns about climate change and small businesses, and perhaps I can pass on its comments and questions to the Minister.

In passing, I want to mention the consultation and the idea of a flood tax, which the Minister will no doubt comment on. There is an idea that, on top of having to pay additional—

Daniel Kawczynski (Shrewsbury and Atcham) (Con): It is a myth.

Tony Cunningham: The hon. Gentleman will have an opportunity to reply. I have come across examples of insurance premiums being tripled or quadrupled and of people being asked to pay a £10,000 or £15,000 excess. People could now be asked to make a contribution on top of that. In my discussions with people in west Cumbria, that idea has gone down like a lead balloon.

I know that tourism is close to the heart of the hon. Member for Westmorland and Lonsdale. *[Interruption.]* I welcome the hon. Member for Carlisle (John Stevenson). It is nice to see him here. I think we have a full turnout of Cumbrian MPs, which is superb. Tourism is vital, but I wonder what message it sends when the chief executive of the Cumbria tourist board comes to see me and says that one third or two thirds of his staff have had to be axed. Half of them have already gone.

I want to say something that moves slightly away from what I have said so far, and I am sure that my hon. Friend the Member for Copeland will talk about this, too, because it relates to the future of the nuclear industry. The one thing the people of west Cumbria—people such as Ron Williams from Bothel, Margaret O'Hare from Tallentire, and the residents of Westnewton—do not want any more of is in onshore wind farms. Even the planning inspectorate tells me that the cumulative effect of so many onshore wind farms in such a small area should be considered when looking at planning applications.

I supported offshore wind turbines, which generate enough electricity for about half of Cumbria. However, when people are prepared to put in a field half a dozen wind turbines that generate little electricity and are perceived as an absolute eyesore by those who have to live by them, we have to think again. There must be a balance between generation on the one hand and tourism and the environment on the other.

As Mr Ron Williams also pointed out—I can only concur—the wind blows on some days, but not on other days. However, the tide comes in twice a day, every day. We need to look at that issue, and I hope the Minister will say one or two words about it. There were plans for a barrage across the Solway to generate the electricity we need, but—

Jim Sheridan (in the Chair): Order. I genuinely hesitate to interrupt the hon. Gentleman, but the winding-up speeches will start at 3.40 pm. If other Members indicate that they want to speak, he will have to wind up pretty soon.

Tony Cunningham: Okay. I will certainly do that, and I thank you for your good grace, Mr Sheridan.

I want to say a couple more things just to finish. Two things stick in my mind. Let me give hon. Members an example of how Cumbrian people reacted to the floods. The bridge had gone down and, tragically, the police officer had been killed. The community of Northside was left without electricity or telephones. Hearing that elderly people in Northside did not have access to telephones—they were elderly so they did not have a mobile phone—someone from Penrith, in the constituency of the hon. Member for Penrith and The Border, went into the town, bought 10 mobile phones, put money on them all, drove to Workington and handed them in to the community centre, saying, "These are for elderly people who don't have access to telephones."

I have one other little memory, and I will finish on this note. Jennings brewery was badly damaged and flooded. It was not able to produce the wonderful beer that it normally produced, so the beer had to be produced in Burton. Ten pence from the price of the beer was going to the Cumbria flood appeal, and I cannot remember the number of times I was in a pub when someone said, "I think I'll just have another one. It's for a good cause." Those efforts raised about £178,000, which is a lot of 10 pences. It also says a lot about the amount of beer that is drunk.

In conclusion, people might think we are asking for special treatment in west Cumbria. However, I want the Minister to comment on the memorandum of agreement, because we are asking for the special treatment that is already provided for. I thank the Minister, and I thank all hon. Members for their comments so far. I will sit down and let others make their contributions.

3.17 pm

Mr Jamie Reed (Copeland) (Lab): I am grateful to my hon. Friend the Member for Workington (Tony Cunningham) for securing the debate. He has been after it for some time, and I am glad that, as usual, he has succeeded. He gave me my start in politics—for good or ill—when I was briefly his researcher in the European Parliament and it is a pleasure to work alongside him now. I speak in this debate as the shadow Minister with responsibility for this policy area, but also as a constituency MP directly affected by these issues.

I wish to point to the tireless work that my hon. Friend undertook this time last year, not only for his own constituents, but for the whole of west Cumbria, including my constituents. When the floods hit, my hon. Friend was a Government Whip, so he was unable to take part in any debates. However, his constituents know what he did on the Thursday night, as the rain kept coming down. They also know about the work he threw himself into on the Friday morning, when the devastation became apparent, and about the work that he has continued doing to this very day.

It is often said that the man who is his own advocate has a fool for a client, so I feel duty-bound to say these things on my hon. Friend's behalf. Frankly, he hides his light under a bushel. I am proud to have him as my neighbour and to work alongside him on so many issues. I am also grateful that many of my friends and family members, who live in his constituency, have him as their MP.

My hon. Friend and I were in constant contact as the disaster unfolded, and I know what he did in the midst of the chaos—no one could have done more. He ensured that skips were made available for people emptying their homes. He went to buy nappies for the child of a young mother who was in desperate need and who did not know where else to turn. In addition—and he has not mentioned this—he was pivotal in establishing the local relief fund and in prising open the Treasury's coffers, with the help of my right hon. Friend the Member for Tooting (Sadiq Khan), who is no longer in his place, for funding for bridges, temporary train services and much more. I passionately believe that he provided a definition of a first-class Member of Parliament, and of leadership. He did what he did because he believes passionately in west Cumbria's people and potential.

The belief, optimism and hope that pervaded not just west Cumbria but Barrow and other parts of the county in November 2009 are harder to find now, as they are throughout much of the country, because in addition to the floods and the community-wide psychological effects—the trauma and devastation—caused by them, our area, as has been said, has suffered significant further trauma since then. Earlier this year, two school pupils from Keswick school were killed when their bus was involved in a road traffic accident. Such a senseless loss of life caused widespread grief throughout my constituency, throughout my hon. Friend's constituency of Workington, in Allerdale and further afield. Soon after, as the community was still reeling from that disaster, 12 people were murdered in that quiet corner of England. The community is still dealing with that event and processing its long-term response. My heart goes out to all those who were affected, and I am grateful to all right hon. and hon. Members present today for the recognition and respect that they gave to them at the beginning of the proceedings.

I mention those events because they are relevant. They are issues to which the community must respond and challenges that we must meet. The pattern is clearly one of challenge after challenge. None of us can directly understand the pain caused to those families who were affected by the events, but as a community our response has been typically resilient. However, I must be entirely honest—as my hon. Friend has been and as I am sure other hon. Members will be—and say that that resilience is not helped when the community sees reductions in the number of police officers and hospital services; money for rebuilding its schools taken away; widespread redundancies at the publicly funded Sellafield nuclear facility, which is the cornerstone of our local economy; and now cuts to the national flood defence budget. Our community shows stoicism in the face of tragedy beyond our control, but anger in the face of ideologically driven political choices inflicted by a remote Government with a dubious democratic mandate. I shall move on to those issues later.

I wish to pay tribute again to PC Bill Barker, who lost his life in the floods on 20 November last year. PC Barker was a constituent of mine and few, if any, of us can know what the Barker family are going through now. As the anniversary of his death approaches, it must be particularly difficult. It is a difficult subject to talk about. However, following his ultimate sacrifice, I know that he still occupies the thoughts of our entire community. He is incredibly well thought of and is held in almost unimaginable affection in the town of Workington.

Tony Cunningham: I know that I have just spoken, but I want to pay tribute to Bill Barker's wife, Hazel, who is a wonderful woman. She lost her husband and has four children. When I meet her or talk to other people about her the one thing that comes through is the incredible dignity of the woman. I am sure that my hon. Friend agrees.

Mr Reed: My hon. Friend puts it better than I ever could. Mrs Barker has displayed remarkable integrity and incredible dignity and is a superb mother to her children. I am sure that her husband would have been very proud.

PC Barker gave his life serving others and did it instinctively. Many of us either would not or could not do that. His sacrifice provides a definition of heroism for us all. His heroism was commended by the then Prime Minister and the heir to the throne, but the tributes from his wife, children and colleagues dominate all the others, in my memory. He was a devoted father and husband, an extraordinary friend and a supremely committed police officer. He elicited a rare combination of love and respect from those who knew him. He gave all he had for the people he served and will for ever be remembered by the people of west Cumbria.

[Mr Reed]

Last year, the towns of Workington, Keswick and Cockermouth, and the areas around them, were the places most seriously affected by the floods that hit Cumbria. In Workington and Cockermouth there was devastation that is uncommon in west Cumbria. Streets were swept away, homes were ruined, businesses were badly affected and lives were put on hold. As Alan Irving of the *Whitehaven News* remarked at the time, the whole community of west Cumbria came together in the wake of the floods. Rivalries were abandoned—my hon. Friend the Member for Workington and I need not talk about rivalry, as there is certainly none between us, but our towns have long been the best of enemies, in a friendly way—and the principles of community were reaffirmed across the whole of our county, with people in Whitehaven, Egremont and elsewhere showing incredible solidarity with their flooded neighbours.

On the Friday night after the floods hit, I stood in the Cockermouth sheep and wool centre in my hon. Friend's constituency, helping as best I could, as the then deputy Regional Minister for the North West. I was overwhelmed to see my constituents fetching what food, clothing, toiletries, blankets and, in some instances, toys they could to help the people of Cockermouth and Workington who were stationed there. Those constituents of mine, who had travelled 20 or 30 miles to do so, saw it as their job and duty, and it is typical of them and of the constituents of my hon. Friend that they should have done so.

There are many thank yous and stories from the days when the floods hit, and we will tell them for a long time, but we must first understand what happened. Credit must go to the Met Office for the ability it now has to predict extremes of weather with such precision. In the days prior to the floods we knew that they were likely. Heavy rain and gales affected Cumbria from 18 to 20 November, and the associated high river flows and flooding problems were made worse by ground that had already been saturated. By 18 November, Cumbria had already received close to the average rainfall for the whole month. The floods affected more than 1,300 homes and left many more without power and water. Of all the towns and villages involved, Cockermouth, as I have said, was the worst affected. Water levels there reached 2.5 metres. The village of Seathwaite set an unenviable record of receiving 314.4 mm of rain in 24 hours—a new UK record for the wettest November day in a single location.

As the forecast heavy rain arrived, gold command, as my hon. Friend mentioned, was promptly established. I had the opportunity to visit gold command at Carlton hall in Penrith, with the then Prime Minister and the then Secretary of State, my right hon. Friend the Member for Leeds Central (Hilary Benn). The work that was undertaken there was remarkable. I have worked in the nuclear industry and am used to planning for emergency events, including evacuations, the co-ordination of local authorities and emergency services. To see the command in action was, in a strange way, reassuring. From the point of view of someone who lives in west Cumbria, having been born and raised there—and as a council tax payer there—it was incredibly reassuring to see that the system worked, and worked well. If there are lessons to be learned from that and rolled out across the country, I would urge the Minister, who I know is sincere in his desire to improve things, to understand those lessons as well as he can.

The forecast heavy rain arrived and, as my hon. Friend the Member for Workington said, people were evacuated from Cockermouth by helicopter. It was a surreal experience to see on television Sea Kings hovering just above the Cockermouth main street—something we thought that we would never see and hope never to see again—irrespective of the extraordinary times that we have lived through in west Cumbria in the past 12 months. My hon. Friend was the pairing Whip at the time, and he had not let me off. Therefore fortunately—or unfortunately—I was stranded in London. My hon. Friend let himself off the Whip so he was not stranded, but that has not affected our relationship and I bear no grudges.

The rapid attendance and full attention of the then Prime Minister and the then Secretary of State for the Environment Food and Rural Affairs was incredibly important. It gave everybody in the area a sense of solidarity and genuine togetherness. To know that politicians from all parties, but especially the country's leading politician and the relevant Secretary of State, were with us in a time of crisis, was important. It was unprompted and genuine.

Tony Cunningham: Perhaps I can lighten things a little. I was in the sheep and wool centre with the Prime Minister. When he came in, he held the hand of a blind lady in a wheelchair. Somebody said, "It's Gordon Brown, the Prime Minister", and she said, "Y'all right, lad?" It must have been many years since the Prime Minister had been referred to as a lad, but that is typical of west Cumbria.

Mr Reed: I was not there, but I think I saw that on television. By that time, I was safe, warm and dry, and matters were well in hand. I recall that the Prime Minister visited on more than one occasion during those two days. He was exceptionally busy.

I was incredibly pleased at the time to learn that the Government had implemented the Bellwin scheme, and that rather than meeting 85% of costs, which I believe is typical in such incidents, the scheme was introduced in such a way as to allow 100% of costs to local authorities to be met. That was an incredibly wise move. The Government confirmed that 100% of costs would be met, rather than the standard 85% and, as my hon. Friend mentioned, it was made clear that the costs of building the temporary bridge in Workington—the Barker crossing—would be met by the Department for Transport. The Department also contributed other short-term resources to help the county implement its highways recovery plan, and ensure that all affected areas were back in working order as soon as possible.

I pay tribute to all those involved in the logistics of establishing the train service and to those who helped to establish the brand new Tesco overnight, which was adjacent to the train service. It is a tribute to the feats that people can achieve in times of crisis. I pay tribute to Cumbria police, under the fantastic leadership of chief constable Craig Mackey, and to the county council, under the leadership of Jill Stannard, who I believe had been made chief executive that very day. I thank Cumbria fire and rescue service, the local NHS, the Environment

Agency and all the welfare charities that have been mentioned. I also mention British Telecom and other utility companies, our magnificent armed forces and reservists, and many others who acted in superb concert as the floods hit.

The media have been mentioned briefly. Radio Cumbria was absolutely indispensible at the time. It became an irreplaceable service which, in my opinion, immediately demonstrated the value and strength of public service broadcasting—something that no other organisation could have provided. Border Television from the independent sector was also incredibly impressive.

As I went around the flooded areas, it became clear from several conversations I had just how vital the mountain rescue teams had been, especially in Keswick. The hon. Member for Westmorland and Lonsdale (Tim Farron) is no longer in his place, but he is right. For many years he has been a stalwart advocate of the need for mountain rescue teams to have their VAT refunded. When the Labour party was in government, I joined him in that view, both privately and publicly, and my hon. Friend the Member for Workington also joined in the debate, privately and often stridently. I certainly agree with the hon. Member for Westmorland and Lonsdale and I know that the Minister will take note of that point. It is a difficult issue because in our part of the world, and in many other places like Cumbria such as the Pennines, mountain rescue is a vital emergency service.

A number of organisations acted in remarkable concert. After speaking to people in Keswick about the mountain rescue service I was left in no doubt as to what the service provided. The case for financial help from the state is irrefutable. I mention the big society but not in a pejorative sense. Quite simply, if one seeks a definition for the kinds of things that underpin that centuries-old concept, the mountain rescue teams provide one such example. They offer services that no one else can, or will, provide.

Away from the heavily hit areas, many other towns and villages in west Cumbria were affected by the flooding. In some quarters, they were referred to as "the forgotten flooded"—places such as Parton, Cleator, Holmrook, Bootle, Egremont, Lorton and elsewhere. Thankfully, those areas did not witness the same devastation as Workington and Cockermouth, but they endured real suffering that was equally deserving of Government resources and support. At the time, I made the case in the Chamber that such support should have been forthcoming. I saw the effects of the flooding on those communities, and I pointed out that no community should be left behind. As a country, we need to take forward that principle and enshrine it in our flood defence policies.

Ultimately, the costs of recovery in Cumbria are not yet fully known. If we look at the insurance claims that have been made and paid so far, they are in excess of £200 million. However, we do not know what the effect has been on the economy or the tourism industry, and we do not yet know the long-term effects on agriculture and other sectors, so the final figure will be significantly in excess of £200 million.

My hon. Friend the Member for Workington paid tribute to a number of ordinary people who were involved in the response to the floods when they hit. I wish to take the opportunity to pay tribute again to a special Copeland borough councillor, Councillor David Banks. When the banks of the River Ehen burst and houses along the banks of that river were flooded, he went to the aid of some elderly people who lived in his patch. With his bare hands, in the deluge and the pouring rain, he tried to rebuild the river bank with stones and baskets as the rain kept coming. That is the kind of people we are. Whenever my hon. Friend and I have taken part in debates such as this over the past 12 months, such statements have almost become a cliché, but it is no less true. That is the kind of people we are in west Cumbria and people such as Councillor Banks are the kind of public servants that we need.

As the people in the village of Parton taught me five years ago, it takes only a little bit of water to cause immense damage and for a flood to have a huge impact on the life of a family and its memories. Just one foot of water can ruin a home and destroy treasured and irreplaceable possessions such as invaluable photographs and mementos of children and other loved ones. Floods take away so much that can never be replaced.

The Environment Agency is among those organisations that have been pivotal in achieving recovery from the floods, not just at the time but since then. In the six months following the flooding, it extended the free flood warning service to an additional 3,000 Cumbrian homes and businesses. It began work with 30 flood action groups and commissioned a £100,000 study to look at the current standards of flood protection and possible options to reduce future flood risk in Cockermouth. In Keswick, it invested more than £700,000 in flood defence walls in the High Hill area, and in Ulverston it repaired existing flood defences and improved other flood defences to certain properties.

Before the floods last year, Carlisle had received significant investment in defences—between £30 million and £35 million—following the floods of 2005. Cockermouth, Keswick and Ulverston had all benefited from some flood defence investment under the last Government, and much more was planned. For example, in Keswick, which is now in my constituency following the boundary change before the last election, the Environment Agency had done a study to justify improvement works and had allocated funding to design works in 2010-11 for construction at an estimated cost of £5 million. I ask the Minister in all sincerity and with genuine respect to ensure that those works proceed. I certainly hope that they do. I have written to the Secretary of State regarding that issue, and I hope that the Minister can today give my constituents in Keswick the assurances that they seek about the flood works that they expect to take place there.

In Ulverston, funding had been allocated for 2010-11 to develop a scheme for Dragley beck, which is programmed for construction in 2011-12 at a cost of £2 million. I am sure that my hon. Friend the Member for Workington will want it to be taken forward as well. The project at Dragley beck would raise the existing once-in-20-years standard of flood protection to once in 70 years. For Cockermouth, indicative funding is in place to begin studying a potential scheme in 2012-13.

The Environment Agency brought forward other schemes for Cumbria under the previous Government. In the light of the cuts, can the Minister notify Cumbrian local authorities about which flood defence schemes will be continued and which will be scrapped? The people of Cumbria have a right to know that as a

[Mr Reed]

matter of urgency. Heavy rainfall has raised the spectre of flooding again in the past few days. Flooding has been a real possibility in Keswick and elsewhere, and we need to know where we stand.

Flooding is one of the most difficult issues facing the nation. It is likely to happen more, not less. Carlisle flooded in 2005, before the horrendous floods in 2007 and the Cumbrian floods in 2009. We need to be able to meet the practical and policy challenges that flooding poses. The nature of that policy challenge for every community at risk of flooding means that it must be properly resourced by Government. The previous Labour Government more than doubled spending on the management of flood risk. That is beyond doubt: it is irrefutable. We are talking about west Cumbria today, but none of us should forget the other communities that have been affected by flooding devastation. I think that the costs of the floods in 2007 were in excess of £3 billion. Thirteen lives were lost. None of us should forget that.

Between 2007 and 2009, the Environment Agency completed 106 flood defence schemes. Will the Minister tell us how many flood defence schemes will be undertaken by the agency under its newly cut budget, year by year for the life of this Parliament? Further to that, will he tell us where those schemes will be? Communities such as those in Leeds and elsewhere need to know what is happening to their flood defence capability.

I genuinely look forward to working with the Government and with the Minister on issues on which we agree. Flooding should not be a party political issue. It should be an issue of national interest, on which we all work in concert to achieve the best results. However, an air of chaos is creeping into flood defence policy and planning in DEFRA. The £170 million cut in flood defence budgets just is not necessary. Indeed, it is fundamentally wrong. We all want to see greater efficiency in how public money is spent. I support the Minister on that, but I cannot support a £110 million cut in capital spending and a cut in excess of £60 million in flood and coastal erosion defence maintenance budgets.

The Association of British Insurers has expressed its disappointment. The insurance company Liverpool Victoria believes that reducing current flood defence maintenance budgets means that

"thousands of homes still at risk of flooding may lose home insurance cover."

The Institution of Civil Engineers has also expressed concerns about the cuts in flood defence budgets. Now, the people of this country who live in areas of flood risk are, as my hon. Friend the Member for Workington mentioned, haunted by the spectre of a flood tax. A Conservative Member said earlier from a sedentary position that that was a myth. I hope so and I hope that the Minister will take the opportunity to explain why that is the case when he makes his remarks.

We know that the statement of principle between insurers and Government expires in 2013, which is only a few years away. Negotiation on that issue will be complex, so can the Minister tell hon. Members about the plan? Where are we going on this issue? Will he now publish the road map that was mentioned following the insurance summit in September?

We are used to the English language being assaulted by the present Government. The Prime Minister achieves nothing in Europe, but calls that a "spectacular success". The Secretary of State for Health claims to match Labour's spending, yet Conservative MPs from up and down the country tell me that hospital wards are being closed by stealth. Instead of being freed of red tape, police officers are actually being freed of their jobs. The Chancellor of the Exchequer claims to be protecting more homes from flooding by cutting the flood defence budget, and the self-proclaimed "greenest Government ever" will struggle to be the greenest Government of 2010. Welcome to the world of DEFRA-nomics, where we are meant to believe that those most affected by the cuts being imposed are, perversely, the most happy at the prospect. That will not wash.

Tragically—and there is an air of tragedy around this, as I have said—DEFRA Ministers currently occupy one of two positions. Either they actively want the Government to abandon their responsibilities or, as they used to refer to it, "get out of the way" and therefore are happy for these ideological cuts to affect flood defences in an exceptionally damaging way, or they really have no understanding of how the cuts will affect homes, businesses and communities up and down the country. The former is almost worse, because it would suggest that the likely effects of the cuts are understood, but are being disregarded. Which is it? Surely the cuts cannot have been made in ignorance. Surely they cannot have been planned in ignorance and will not be prosecuted in ignorance.

Will the Minister tell us today which flood defence schemes in which areas will be cut and which will proceed? Will he take the opportunity to tell us what discussions he has had with which local authorities about how they should pick up the flood defence burden, particularly in the light of cuts in their own budgets? Will he tell us how many flood defence schemes will go ahead for each year of this Parliament and where those schemes will be located? I hope that if he cannot tell me or other hon. Members that today, he will undertake to write to me or place a paper in the Library detailing where cuts in flood defence projects will be made.

Flood damage costs in England alone are more than £1 billion a year. According to Environment Agency calculations, one in six homes in England is at risk from flooding. More than 2.4 million properties are at risk of flooding from rivers or the sea in England, and half of those are at significant risk. The Minister is aware of the figures. A further 2.8 million properties are vulnerable to surface water flooding. The Environment Agency calculates that in the worst-case scenario, annual flood damage costs could exceed £27 billion across the UK by 2080. Clearly, that is some way off, but it is a rate of increase that none of us would want.

This is no time to be playing fast and loose with our flood defences, no time for DEFRA-nomics and no time for cutting flood defence budgets. If the Government will not change their mind in the face of overwhelming evidence, independent advice and the experiences of very real human suffering that we know flooding causes, they must at least be honest about where their axe will fall and which communities they will abandon. We need transparency and honesty, but most of all, we need the Government to think again.

3.48 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I thank the Opposition spokesman, the hon. Member for Copeland (Mr Reed), for the 32 minutes of his speech on this subject. In the 12 minutes that I have left to respond to the many very serious points that have been made in the debate, I will endeavour to answer his questions, but he has not left me enough time. I guarantee that I will write to him.

I start by paying tribute to the hon. Member for Workington (Tony Cunningham). On this day, which is almost the anniversary of the tragic occurrences in his and neighbouring constituencies, and on the day that we are thinking of the people on the south coast of Cornwall who have suffered similar disruption to their lives, although, happily, not quite as tragically as in his constituency, he and the hon. Member for Copeland are right to link those events with other tragedies that have happened in their area. I come from a constituency that suffered the flooding of more than 2,000 houses in 2007; it also contains the town of Hungerford. I therefore feel a sense of empathy.

The hon. Member for Workington should be applauded for his reasoned words, for his genuine honesty and for his generosity of spirit. He has shown his pride in the performance of people in his constituency, old and young, those who had a statutory role in the rescue activities and those who did not, who buckled down and did what they could. He has shown a generous appreciation of the efforts of the emergency services, the Environment Agency and the local authorities. It is touching to think of the role played by organisations such as the RSPCA as well. Perhaps the most moving was his tribute to the spirit of the local people.

The hon. Gentleman knows well that, just because a year has passed and his last constituent is, we hope, on the point of going back into a house, the problems are not over. In my constituency, the level of stress reported by local doctors' surgeries increases when it rains. There is an element of post-traumatic stress related to such incidents that I am not sure we have got our heads around. Given the other tragedies that have occurred in Cumbria, I am sure that he and his colleagues will experience something similar. It is good to see every MP from Cumbria present for this debate. I pay tribute to their cross-party consensus, their pride in their area and their determination to learn from what happened.

I can pay no greater tribute than to Sue Cashmore, whom I must meet. I am sure that hon. Members are keen for me to big up other heroes, but what she is doing is fantastic. The hon. Member for Workington spoke with great feeling at the flood summit about the work being done by local flood groups, and they deserve our appreciation. To answer some of his points, I refer to what has been achieved through the summit. I hope also to dispel the myths that have been propounded by some hon. Members today.

I was asked about Sir Michael Pitt's recommendations on fire and rescue services. In fact, the Pitt review was not categorical on the issue of a statutory duty. It proposed that one should be introduced "as necessary". There would be significant drawbacks to such a statutory duty. In his review of the response of the fire and rescue services to the floods of summer 2007, Sir Ken Knight, the Government's chief fire and rescue adviser, concluded that a duty was not necessary. Fire and rescue authorities already turn out to flood events, as evidenced by past flood incidents. It is therefore not clear what difference a statutory duty would make. Moreover, a statutory duty could lead to the fire and rescue service being the only organisation carrying out flood rescue, because other responders, including many skilled and experienced voluntary organisations, such as those that the hon. Gentleman mentioned, might feel that they were somehow subsidiary to that.

I can tell the hon. Gentleman, however, that we are about to announce a substantial sum of money to be spent by fire and rescue services, the Royal National Lifeboat Institution and the Red Cross on flood rescue equipment. That announcement will be made tomorrow. It will cover a number of fire and rescue services, although I cannot remember whether the hon. Gentleman's local service is included; I would be happy to inform him later.

Tony Cunningham: Will it also include independent lifeboat stations? Such services are not run just by the RNLI.

Richard Benyon: I accept that. We will announce £700,000 as the first part of a £2 million fund for flood rescue equipment for fire services.

I will take up with the Treasury the point about mountain rescue services raised by my hon. Friend the Member for Westmorland and Lonsdale (Tim Farron), and I will keep him informed. I heard the points made by the hon. Member for Copeland about the wonderful role played by mountain rescue teams and the difficulties they face, and I will bear those in mind in relation to our strategies.

Hon. Members have spoken about bridges and of the wonderful and speedy work that was done to return those vital communications links to their communities. We must learn from those processes and consider whether we can perform them even quicker. I understand the problem facing the constituents of my hon. Friend the Member for Westmorland and Lonsdale in Backbarrow, and I will keep in touch with him.

On schools, from my experience of the floods of 2007, I think that local authorities should include a member of the local education authority in their initial emergency planning team. If a flood happens in the day, parents need to know whether it is safer to collect their children or to leave them at school. If it happens in the night, they want to know whether schools are open or closed. It is important that LEAs are kept informed.

On funding, it is important that we understand the points that have been made about the demise of the Government office for the north-west. We are in the throes of rolling out the recommendations of the Pitt review and the important provisions of the Flood and Water Management Act 2010. That requires a coherent and cohesive strategy at national and local level. We are testing that seriously in Exercise Watermark, which the Secretary of State and I are going to see in progress tomorrow. The main part of the exercise will happen in March. It will test co-ordination, resilience and strategic risk planning at national and local level. We are determined that every aspect of that part of Sir Michael Pitt's important report will be seen through. We have secured

[Richard Benyon]

the funding to ensure that local authorities are properly resourced and to secure all the emergency activities that were so ably and rightly described by the hon. Member for Workington.

I will deal now with the myth of a flood tax. I am probably at fault for the way in which I floated our plans before the Environment, Food and Rural Affairs Committee. That allowed for the hon. Gentleman's comments in the local paper about a lead balloon, which I read. Of course such a proposal would go down like a lead balloon in flood-traumatised constituencies such as his and mine. I am not in the business of introducing a flood tax. However, I want to ensure that we provide for communities that always miss out because they cannot compete with other communities that bring forward plans for flood defences that offer a much better return for the money. Some communities, year after year, are pushed down the list in that way. Through our flood and coastal erosion management strategies, more communities are identifying risk, yet some are constantly pushed down. We want to provide those communities with some comfort, so we are saying that there are ways of unlocking funding that does not necessarily come from the taxpayer. I have seen innovative schemes around the country in which the planning system has been used to unlock additional money which, when added to Government funding, puts a scheme above the line and makes it possible. I assure hon. Members that a considerable number of schemes will go ahead that are fully paid for by the taxpayer, but we have to look for ways to unlock further funding. If the hon. Member for Copeland is honest with himself, he will acknowledge that if his party was in government now, he would be looking at precisely such methods—he would be mad not to.

I would love to go into detail about the many other issues that have been raised in the debate and pay further tribute to the wonderful people of Cumbria and the way they have responded to the terrible tragedy. In particular, I pay tribute to the family of PC Bill Barker. We have an opportunity for the House to work together. I will answer the points to which I was unable to respond in the short time that I was left, but I assure the hon. Member for Copeland that I will work with him, and any other hon. Member, to ensure that the problems faced by communities that have experienced flooding, and those that, sadly, will experience it in the future, are dealt with in a cohesive and strategic way.

4 pm

Sitting suspended for a Division in the House.

Energy Efficiency Measures

4.9 pm

Graham Stringer (Blackley and Broughton) (Lab): It is a pleasure, Mr Sheridan, to serve under your chairmanship.

Decarbonisation policies and renewable energy policies, both nationally and internationally, may not be in crisis but they are at a turning point. The Chicago climate exchange ended carbon trading, and a year ago the Copenhagen summit was not a success. Wind farms are increasingly criticised as an environmental blight as well as extremely expensive, and it has been noted that energy companies make three times as much money from wind farms as they do from coal and oil. The debate takes place in that context.

I am rather impressed by the potential contribution that heat pumps could make to our future energy needs. However, we must have complete assurance that the installed technology will actually deliver what it says on the tin. I fear that in 30 or 40 years, many of our energy policies, including wind farms, will be seen in the same way as we now look back on deck-access housing accommodation from the 1960s and 1970s—a good idea at the time, but no more than that. Heat pumps are a big investment for both householder and taxpayer, and both deserve to be assured that they will be worth the money.

Heat pumps extract heat from the ground or the air, and redirect it for space heating and hot water. The efficiency of heat pumps is measured by their coefficient of performance, which I shall refer to as COP. It is the ratio of heat produced per unit of electricity consumed in generating that heat. A COP value of 3 means 3 kWh of heat output per kWh of electricity used to run the pump. Higher COP values represent relatively more efficient heat delivery.

COP values vary by season; the colder the ground or the air, the more work the pump has to do to raise the temperature to acceptable levels for domestic heating, and the more energy is consumed. Poor design and installation also affect the COP. In well-insulated buildings with low temperature under-floor heating of about 40° C, ground-source heat pumps can be beneficial. Conversely, in poorly insulated buildings, where the pump is required to heat high-temperature radiators and hot water to about 60° C, their performance is less impressive.

The 2009 European directive on renewable energy excludes low-performing heat pumps from making a contribution to renewable energy targets. It states that

> "Only heat pumps with an output that significantly exceeds the primary energy needed to drive it should be taken into account."

From other data, we can deduce that that the EU implicitly requires heat pumps to achieve a COP of 2.875 before their energy contributes to the renewable energy target. The logic behind the EU requirement for a minimum efficiency level is that replacing a fossil-fuel heating system with a poorly performing heat pump may result in increased CO_2 emissions. That is because the emissions costs in the extra electricity requirement of a heat pump need to be balanced against the emissions of burning a fossil fuel.

The most recent study of heat-pump performance, "Getting warmer: a field trial of heat pumps", was published by the Energy Saving Trust on 8 September.

The study reveals that the performance of heat pumps installed in the UK is surprisingly poor. It showed that only one of the 22 properties that had ground-source heat pumps achieved the implicit minimum EU directive COP, and that only nine of the 47 sites with air-source heat pumps achieved that standard. Something similar occurred during the Joseph Rowntree Foundation study in Elm Tree mews in York; a communal ground-source heat pump was installed that had a nominal design COP efficiency of between 3.2 and 3.5, but despite a number of interventions throughout the year's monitoring, the delivered COP efficiency was 2.15. As a result, it failed the renewable test.

The risks are clear. There is the potential for consumer dissatisfaction with technology that fails to deliver on value for money after expensive and possibly disruptive installation; in some cases, it will raise carbon emissions rather than lower them; problems may arise from the EU failing to count the majority of heat pumps in the UK as a contribution to our renewables target; and there is the possibility of failing to qualify or to remain qualified for renewable heat incentive payments.

Mike Weatherley (Hove) (Con): I wonder whether there are any source problems, such as in my constituency of Hove, with chalk-based land. Would that present an additional problem?

Graham Stringer: I understand from my A-level physics—it was a long time ago—that the real problem is the difference in temperature between the ground and the building being heated.

In response to a parliamentary question, the Minister of State, Department of Energy and Climate Change, the hon. Member for Bexhill and Battle (Gregory Barker), confirmed that

"Heat pumps that do not meet the required average seasonal performance factor, as defined in Annex VII of the use of energy from renewables sources Directive 2009/28/EC, will not count as renewable."—[*Official Report*, 21 October 2010; Vol. 516, c. 865W.]

In order for heat pumps to have the correct COP, each installation needs to be inspected and monitored to ensure compliance. How will the Minister monitor that, if it does not do what it says on the tin? I would be grateful if he answered that question today.

The Energy Saving Trust report was bad news for heat pumps, but disappointing COP values are only part of the picture. The threshold for being considered renewable takes no account of the carbon footprint generated by manufacture and the emission of the heat pump's fluorocarbon refrigerant. Fluorocarbons used as refrigerants can be highly polluting if they leak, because their global warming potential can be thousands of times that of CO_2. The refrigerant R404A, for instance, has a global warming potential 3,800 times that of carbon dioxide. In a written answer, the same Minister said:

"we would expect heat pump manufacturers to avoid using this particular gas wherever possible."—[*Official Report*, 19 October 2010; Vol. 516, c. 649W.]

Unfortunately, I understand that 15% of heat pumps use that refrigerant.

A further study undertaken by Atlantic Consulting, "Fluorocarbons' Contribution to Air-Source Heat-Pump Carbon Footprints", showed that the contribution of fluorocarbons to the carbon footprint of heat pumps was considerable. Production and disposal of heat pumps made a negligible contribution; however, in power generation, fluorocarbons added 20% to the footprint. The annual operating leak rate was estimated at 6% of rated charge, in accordance with the current estimate of the Refrigeration, Air Conditioning and Heat Pumps Technical Options Committee of the United Nations Environment Programme. Another academic study from 1999 found leak rates as high as 8%. Those rates are significant; they are not negligible, as was claimed in a written answer of 19 October 2010, which was based on information supplied by the industry.

Further, could the Minister obtain independent confirmation of whether the leak rates are negligible or significant, as a lot could ride on that for the future of the industry? There are no current mandated standards on leak rates for heat pumps, but the problems do not end there, because much damage is done when the refrigerants are vented into air at the end of the installation's life, as all too often happens. I also see from a recent parliamentary answer, on 19 October 2010 at column 647, that no information is held on quantities of HFCs and HCFCs recovered and recycled in the UK. So we simply do not know how much of these dangerously polluting gases, which are controlled under the Kyoto convention, are emitted into the atmosphere at the end of the life of the installation. If emissions are not measured, they cannot be managed.

UNEP's RTOC, which I mentioned earlier, has adopted a working assumption that end-of-life emissions of refrigerants are on average over 50%. That is not "negligible". Atlantic Consulting's findings are supported by a similar, peer-reviewed study published by the university of Delft in the Netherlands, which found that,

"Even though heat pumps are generally considered to be sustainable heating systems because they extract heat from renewable sources rather than by burning non-renewable fossil fuels this research shows that a heat pump is actually not more environmentally friendly than a gas-fired boiler."

A press release from Atlantic accompanying its report argued that the RHI should be re-targeted, pointing out that,

"Under the proposed RHI, homes and offices in the UK would be subsidised to displace or replace gas- or LPG-fired heating with heat pumps, even though this would, at best, cause a very minor reduction in carbon emissions, and in many cases an increase."

Currently, the Government are considering the detail of how the RHI will operate. The potential contribution of heat pumps to our renewables target is significant, but some way has to be found of assessing and certifying each installation, so that it makes a genuine and positive, rather than negative contribution. Ideally, minimum fluorocarbon leak rate standards should be mandated for heat pumps, so that these powerful global warmers do not undermine their contribution further.

The key point is that the nominal or certified design of coefficient of performance of a heat pump can differ radically from the efficiency after installation; so radically, in fact, that it can detract from rather than add to our battle against climate change. The Department of Energy and Climate Change is to subsidise heat pumps with taxpayers' money at 5.5p per kWh for 20 years. That is an enormous amount of money committed for a long period, and we must be absolutely certain that taxpayers' money subsidises only that which is renewable after installation and that which is good, rather than inefficient, not renewable and bad.

4.23 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a pleasure to serve under your chairmanship this afternoon, Mr Sheridan.

I thank the hon. Member for Blackley and Broughton (Graham Stringer) for securing the debate and for the constructive way he introduced it. We believe this is an area where it is entirely proper there should be constant scrutiny. We are determined to try to do things in the way that is most efficient and effective and to ensure that we always have in mind the needs of consumers and the people paying for the technologies and installations. That must be at the heart of our efforts. I thank him for his contribution today and for ensuring that we saw in advance the article he wrote ahead of the debate.

The hon. Gentleman has raised some important issues to which I hope to respond fully. We will certainly base our decisions on evidence. Consumers expect us to do that and to use public funding wisely, and we are determined to do so. Of the issues he has raised, a number come through most clearly.

We recognise that poor insulation and design would have a significant impact on the performance of heat pumps, to the degree that it might jeopardise whether they could count as renewable under European legislation. That is why we have a microgeneration certification scheme, to ensure minimum quality standards for both microgeneration products and installers; and why we have consulted on whether the renewable heat incentive should, where practicable, be conditional on energy efficiency measures being carried out.

In response to the hon. Gentleman's question about whether we will continuously assess and monitor the installations, we should recognise that we can set the renewable heat incentive at a level that would essentially require that to be done. We can set it at a level that would assume that the home is properly insulated and that the COP, the coefficient of performance, would be at a level to give us the assurance of efficiency. Otherwise, the consumer would not get sufficient income to justify the investment. There are ways in which the work we are doing to define and refine the renewable heat incentive can be used as a driver of efficiency. Our findings on that will be published over the course of the next few weeks. That will be an important part of the process.

We need to recognise that many different types of technology are included in the concept of heat pumps. There are fundamentally different types, including those that use water, ground-source heat pumps or air-source heat pumps. We are looking at a policy that will drive investment towards them, because we believe, as the hon. Gentleman does, that they can make an important contribution in the battle against climate change. We can help individual consumers to understand the contribution they can make in their own homes towards tackling some of the problems we are facing.

There is a well established market for heat pumps, predominantly in the commercial sector so far. More than 90% of the 217,000 heat pumps installed in 2009 were in the commercial sector. There is also a growing number of domestic heat pumps—a technology to which we are paying close attention. Our view is that they are one of the most energy-efficient ways to provide heating and cooling in many applications, as they can use renewable heat sources in their surroundings. Even at lower temperatures, the air, ground and water around us contain useful heat that is continuously replenished. By applying a little more energy, normally from electricity, a heat pump can raise the temperature of that heat energy to the level required. Heat pumps can also use waste heat sources, such as from industrial processes, cooling equipment or ventilation air extracted from buildings.

We have been increasingly interested in heat pumps because the analysis of pathways to 2050 suggests that in almost all scenarios there is a high degree of electrification of heating in order to reduce greenhouse gas emissions by 80%. By that stage, the grid is projected to be mainly decarbonised, so electric heating offers a low-carbon alternative to gas. In that context, domestic heat pumps could provide an efficient way to raise the performance of electric heating. The International Energy Agency has estimated that heat pumps might contribute 6% of global CO_2 emissions reductions over the time scale.

By 2020, we also have to increase dramatically, for reasons of security of supply as well as climate change, the proportion of energy that comes from renewable resources such as solar or wind. Our level of ambition is suggested by our proposed contribution to the meeting of renewable energy targets. Those targets cover not just electricity, but heat and transport fuel. Heat pumps in that context, as long as they are efficient enough, count as renewable—or rather, the fraction of heat provided by the geothermal or aerothermal source, minus what the electricity produces directly, counts as renewable.

We aim to ensure that renewable heat plays a robust role in meeting our renewable energy targets for 2020. To help to achieve that ambition, we have announced that from June 2011, we will be launching a renewable heat incentive. Current scenarios suggest it will encourage up to 800,000 domestic or commercial heat pumps by 2020, but we are already supporting the installation of heat pumps to improve household energy efficiency and reduce fuel poverty. An estimated 2,245 ground-source heat pumps have been installed through the carbon emissions reduction target. Energy suppliers, who have to meet carbon emissions reduction goals, have increasingly chosen to meet their goal by the promotion of heat pumps in the domestic sector.

Nevertheless, we recognise that the technology is not yet mature. Much work still needs to be done to answer the sort of questions that the hon. Gentleman has raised. We need to challenge the industry to improve efficiency standards for their products, because we recognise that issues with heat pumps remain. My officials have already met heat pump industry representatives to consider how they can tighten standards.

Turning to the specific issues raised by the hon. Gentleman, some heat pumps use hydrofluorocarbons—a type of fluorinated gas—as refrigerant. Such gases are greenhouse gases that come under the Kyoto protocol. Like stationary air conditioning and refrigeration equipment that also uses those gases—supermarket refrigeration, for example—heat pumps are subject to the provisions of a comprehensive EU regulatory framework, fully underpinned in the UK by domestic legislation. The framework aims to minimise gas emissions by ensuring that equipment is properly installed, serviced and disposed of. We are satisfied that the risk of HFC leakage is very small, but both the Department of Energy and Climate

Change and the Department for Environment, Food and Rural Affairs are aware of the issue.

It is also our understanding that because most small heat pumps are hermetically sealed, the risk of leakage arises not during use but during disposal. The gas is securely contained within the units. However, I will give way if the hon. Gentleman wishes to make any further point on the matter.

Graham Stringer: I am grateful for that answer, which is in line with the answers that I have received, but is the Minister not concerned that studies have found leakage rates of 8% and that there is no mandated level of allowable leakage? Some units clearly leak, and there is no standard or maximum.

Charles Hendry: I will clarify that in writing to the hon. Gentleman, if I may, as I think he wants a very specific response, but I can reassure him that the levels are similar to those in refrigeration. The same emissions issues that apply to standards for refrigeration apply to other devices, including heat pumps.

The hon. Gentleman rightly mentioned efficiency and whether heat pumps are truly renewable. Like electric cars, they rely on electricity, but we are considering how we can be sure that they are renewable. We will work within European guidelines. He pointed out the problems identified in some of the models examined for compliance with European standards. We will continue the work being carried out to gain clarity in the evidence available to us.

As the hon. Gentleman said, the Energy Saving Trust has published results for the first year that were certainly mixed. In some cases, heat pumps performed as expected; in others, they ran so inefficiently that they produced more carbon emissions than a gas boiler. There is a gap, for a number of complex reasons, between design and actual performance. We have therefore decided to hold a second round of field trials to examine those questions in more detail. The project will continue for a further year, and we will then compare this winter's performance with last winter's. Given that manufacturers and installers have identified several areas where improvements can be made, we can expect to see significant improvements in most of the very poor-performing sites.

My hon. Friend the Member for Hove (Mike Weatherley) mentioned installations on chalk in his constituency. That will clearly be a significant issue for large parts of the south coast. We understand that the technology is more challenging in that area; the chalk base is particularly poor for conductivity purposes, so how ground-source pumps are installed in such areas must be considered carefully. We have therefore requested that people in all parts of the country consider the local geology in order to be certain that the technologies are appropriate for those locations. However, as his is a coastal area, we hope to see development of water-based heat pumps. In addition, the sunny climes of the south coast would ensure that air-source heat pumps have a significant contribution to make.

One thing is becoming clear: no technology can be considered in isolation. There are issues involving control systems, the integration of different technologies in a home or business and how best to co-ordinate a properly managed installation. All those considerations point to the need for better procurement, quality assurance and project management. Consumer behaviour is also an issue: it is most efficient to keep a heat pump running for a long time at a low temperature, but consumers might not realize that. However, the hon. Gentleman clarified it effectively.

We know from experience in other countries that improving standards for product design and installation and building consumer confidence are important to creating a sustainable industry. To support quality and drive standards, we will require installations receiving public money to be certified under the microgeneration certification scheme which is now administered as an independent, not-for-profit accredited certification scheme. The MCS approves products and installer companies against industry-agreed standards and requires that installer companies belong to a consumer code of practice that meets requirements similar to those of the Office of Fair Trading. It is therefore likely that the MCS will be linked to the renewable heat incentive, as it has been to electricity feed-in tariffs, to give consumers assurances about the safety, durability and performance of heat pumps and other on-site heat technologies.

To conclude, I welcome this debate and hope that I have been able to reassure the hon. Gentleman on some of the issues that he raised. What strikes us the most clearly at the moment is the range of new technologies that are emerging at an extraordinary pace to deal with some of the challenges that we face on both the energy and the climate change fronts. We have to be sure, though, that those technologies work well. We believe that heat pumps offer the prospect of an exceptional contribution to meeting the challenges and the goals that we have set, but we must ensure that consumers understand what they are buying, that they get a good deal and an efficient product, and that it makes the contribution that we all hope for.

Lion Trophies

4.36 pm

Mr Andrew Turner (Isle of Wight) (Con): Mr Sheridan, it is a pleasure to serve under your chairmanship this afternoon. I know that the Minister's diary was rearranged to enable him to be here today. I thank him for that, and hope that he agrees that this is an important debate.

Some issues attract overwhelming public support. One is a call to ban all imports into the UK of lion trophies. Many people are amazed that the UK still allows such trophies to be imported. I became personally interested in the issue during a campaign organised by the charity LionAid to highlight rapidly declining lion populations. With LionAid, I visited the Isle of Wight zoo, where a majestic white lion named Casper served as an ambassador for their message. LionAid works to protect and conserve lions and raise awareness of their plight. One of its trustees, Chris Macsween, is present today. I thank her and Dr Pieter Kat for their help in preparing for this debate.

I would like to outline a few facts about the decline of this magnificent big cat. Lions used to be widespread across Africa—indeed, they used to be found in southern Europe, across the middle east and well into India—but today, they are found only in sub-Saharan Africa, except for one small remnant population left in western India. Everywhere else, they have been persecuted and eradicated.

In the 1960s, it was estimated that there were 200,000 lions on the African continent. Sadly, only 20,000 are left today. In central and western Africa, only a few scattered groups remain, numbering not more than a few dozen individuals. In all Africa, it is estimated that that only six significant populations are left—in Tanzania, northern Botswana, and the Kruger national park in South Africa. Recent surveys in Ghana have shown that lions have become locally extinct. Kenya and Uganda have both announced that they estimate that their lion populations will become extinct in the next 10 years or so. In Nigeria, evidence of lions was discovered in only two of six locations where they were thought to exist until recently.

The causes of the decline are largely attributable to humans protecting their own lives and livestock. Lion habitat is increasingly being given over to agriculture to feed the rapidly growing human population. Where lions come into contact with humans, history has long shown that lions must make way. Realistically, such decline is not preventable and there will never be 200,000 lions in Africa again. However, with the lion population in such rapid decline, it is surprising that sport hunting is still permitted in the wild. We must not underestimate the impact such hunting has on lion numbers. Again, I shall provide some facts on that.

Mike Crockart (Edinburgh West) (LD): Does my hon. Friend agree that the most worrying aspect of trophy hunting is that it concentrates almost exclusively on the male lions? Although total populations may be around 20,000 in Africa, only some 3,000 of those are males, which means the species is even more at risk.

Mr Turner: My hon. Friend is absolutely right. I will come on to that point later. Between 2000 and 2008, some 4,250 wild lions were exported as trophies. I make that distinction because South Africa specifically breeds lions for captive hunting. Sport hunting refers to animals killed for the prize of an animal trophy, usually the skin or mounted head of the animal. That can be done legally in a few places, such as game reserves. However, illegal sport hunting across Africa and poachers selling on lion trophies to the rest of the world is a real issue.

Sport hunting mostly targets adult male animals. Hunters regard them as the most impressive to kill. Out of the 20,000 lions that remain in Africa, there are lions of all ages and both sexes, from the youngest cub to the most ancient female. However, it is estimated that only 15% at most of any lion population is composed of adult males—the primary trophy targets. Therefore, instead of the figure of 20,000, we must think of 3,000 as the trophy hunting reserve. That figure is further reduced by subtracting the male lions who live in protected areas, such as Kruger national park. That level of specific removal from any population, particularly one in free-fall, is neither ethical nor sustainable. Taking out male lions that cannot be replaced is aptly called "mining".

Where did all those trophies originate from? Between 2002 and 2007, the number of trophies exported was more than 1,000 from Tanzania, 935 from South Africa, 455 from Zimbabwe, 283 from Zambia, and 97 from Mozambique. Those are the top five exporting countries. Based on lion population estimates for 2002, the percentage of the wild lion population that was exported in that year was 13% in Tanzania, 33% in South Africa, 32% in Zimbabwe, 14% in Zambia and 11% in Mozambique. I stress that those percentages are based on the total population, not the adult male population. I hope we can all agree that such a situation cannot continue.

Lions are social animals. Their family unit is the pride. Pride territories are held long term by the females, while adult males emigrate from their original prides. They become nomadic for some time and then challenge resident males to gain their chance at reproduction. A feature of lion biology is that victorious incoming males will kill cubs belonging to the previous pride males. That ensures that newly won females will raise the cubs with their genes instead of those belonging to their predecessor. Females need at least 30 months to successfully raise cubs. That becomes an issue, given the length of time between the previous males, and loss due to hunting of the incoming males. In other words, a rapid turnover in males can result in no reproduction at all in a pride. Such a rapid turnover is entirely predictable; indeed, it is inevitable when male lions are trophy hunted.

Lions have socially complex lives. There are many reasons why they should not be the target of sport hunting, apart from the simple fact that there are dwindling numbers. Disease is also an important consideration. In 1994, more than 1,000 lions died in the Serengeti in Tanzania alone because of an outbreak of canine distemper. Bovine tuberculosis is a severe threat to the lions in Kruger national park in South Africa. Both diseases have domestic animal origins. Feline immunodeficiency virus—a cause of feline AIDS—is widespread among eastern and southern African lion populations and affects both reproduction and longevity. Such diseases contribute to the overall decline and instability of the few remaining lion populations.

Stronger action should clearly have been taken before now to prevent lion trophy hunting. Relevant international organisations include the International

Union for Conservation of Nature, and the Convention on International Trade in Endangered Species. They have been entrusted with the conservation and regulation of international trade in species to conserve biodiversity. Both organisations have listed lions as vulnerable for many years. However, rather than taking effective action, sadly, those organisations have overseen their decline.

For example, the last time lions were on the CITES agenda was in 2004, when Kenya requested an upgrade on to appendix I. That is the highest list for endangered animals, and being on it would have imposed severe restrictions on all international trade. Such action was watered down by members of the convention and instead it called for regional meetings, so that individual range states with a recognised lion population could agree on lion conservation needs. Those meetings were, in fact, in part financed by the UK. The meeting for eastern and southern African range states has, to this day, failed to meet any significant deadlines or act on any important recommendations.

Lions have not even appeared on the CITES agenda in 2007 or 2010. It should be noted that CITES votes are often influenced by powerful lobbying and special interest groups. That was apparent at the most recent meeting in Doha. Efforts to protect the threatened bluefin tuna—a staple ingredient in sushi—were defeated in the face of staunch opposition from Japan. Significantly, powerful so-called pro-sport hunting lobbies have boasted about defeating moves to add lions to the agenda, and they have already announced their intention to block any such consideration at the next CITES meeting in 2013. One such lobbying group, Safari Club International, has pledged financial support to assist CITES with current budget troubles.

What are the individual range states doing? It is a mixed picture. Only Kenya has had a long-standing, anti-trophy hunting stance. Uganda has announced that hunting in reserves will cease by 2011. Botswana announced a reversible moratorium on lion trophy hunting in 2008. Tanzania and Mozambique have implemented stricter controls on the minimum age at which male lions can be killed for trophies, but they have not stopped the practice. Other range states, such as Cameroon, Zambia, Zimbabwe, South Africa and Namibia, have not implemented specific plans to save their dwindling lion populations. They might have good intentions, but they have yet to take effective action.

I accept that the UK is a relatively minor importer of wild lion trophies overall, having imported about 50 between 2002 and 2008, compared with 317 for Spain, 274 for France, 170 for Mexico, 146 for Germany and a staggering 2,792 for the United States. Britain also imported 11 captive-bred lion trophies during the same period. Therefore, it could well be asked why we are being asked to take a stance, since we are such a minor part of the problem. Could not the issue be much more effectively discussed by the United States? I believe that to take such an attitude would be mistaken for two reasons.

First, the UK is a country, more than any other, where symbolism of lions is important to the public and central to our national identity. Lion symbols are found practically everywhere we turn: in our statues, our emblems and even our sports teams. We, perhaps more than any other nation, have taken lions to heart to stand for attributes that we admire, such as courage, steadfastness, loyalty, and nobility.

Secondly, our voice is a powerful one among nations. We are a leading member of the Commonwealth, the United Nations and even the Common Market. We are signatories to the convention on biological diversity and other international conventions. A leadership position adopted by the British Government would support range states in resisting the massive pressures they face from the trophy hunting lobbyists and help them to implement their good intentions. Our nation should set a strong precedent, rather than meekly following in the footsteps of others and thus allowing the extinction of lions in the wild.

In 2004, my hon. Friend the Member for Thirsk and Malton (Miss McIntosh) asked what action the Government were taking to save the lion. She was told that the then Labour Government would press for "collaborative action" through CITES to ensure that the lion does not become endangered. However, the fate of the lion was not even placed on the CITES agenda in 2007 or 2010. The next meeting is not until 2013. I hope the new Government will take decisive action to save these majestic animals. The first step is banning the import into the UK of lion trophies and taking a lead on the issue now, before it is too late, and before the wild African lion is lost for ever.

4.52 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Richard Benyon): I congratulate my hon. Friend the Member for Isle of Wight (Mr Turner) on securing the debate and speaking so passionately on a matter that is clearly of great concern to him. I also pay tribute to LionAid and the conservation work done by the Isle of Wight zoo. The work of such organisations does have an effect, but we must ensure that it does not come too late for some species, and I agree about the urgent need for action. I share his concern and am equally passionate about the subject. I am lucky enough to have seen a considerable number of lions in the wild, and I want my children and grandchildren to have the same experience.

The Government have set out to be the greenest ever, and we carry that ethos into our international dealings. Indeed, my right hon. Friend the Secretary of State has recently returned from the conference for the parties to the convention on biological diversity in Nagoya, where she played a pivotal role in securing a range of historic agreements that will benefit biodiversity across the globe.

As my hon. Friend the Member for Isle of Wight pointed out, the African lion has been in decline for many decades and has come under increasing pressure as a result of the spread of mankind across Africa. As he acknowledged, most of the animals killed by man have been killed to protect people or livestock, but several countries in sub-Saharan Africa allow people to hunt lions for sport. There is little we can do to control what occurs within another country's borders, but we can and do seek to influence them when we are concerned about how they are acting. For instance, Ministers can write to their opposite numbers in a country to draw attention to our concerns or raise issues during official visits.

[Richard Benyon]

We can also use our membership of international conventions to bring influence or provoke reflection. I have already mentioned the recent successes achieved through the CBD, and my hon. Friend mentioned CITES, a convention that is intended specifically to regulate trade in wildlife, both fauna and flora, to ensure that the survival of species in the wild is not threatened. The UK, along with 174 other countries, is a party to CITES. The convention looks to regulate the import and export of around 33,000 specimens of wild plants and animals through a licensing system. Trade in those specimens most at risk is effectively banned, except in exceptional circumstances, by placing them on its appendix I. The African lion is presently on appendix II, which allows for regulated and sustainable trade.

As my hon. Friend has stated, lion numbers are clearly in decline. In 2008, the International Union for Conservation of Nature declared in its red list assessment that the wild population of African lions was "vulnerable", and the two most recent assessments of population size declared that the population was somewhere between 16,500 and 47,000. An accurate assessment is, for obvious reasons, notoriously difficult to calculate, but we know that the population is decreasing.

The threats to the species are numerous, but in 2004 the threat of trade was not thought sufficient to uplist the species to CITES appendix I, and no range state felt that it was necessary to make such a proposal at the two subsequent conferences of the parties, where such decisions are taken, in 2007 and 2010. CITES works by range states making such proposals to ensure that there is support from the affected region. Therefore, we would look to countries such as Kenya to take the lead, as it has the most knowledge of the situation and the tools to implement any measures required. Kenya proposed uplisting the lion to appendix I in 2004, but the parties to CITES felt that the preparation and implementation of management plans would suffice, and as a result Kenya withdrew its proposal. I am happy to report that we work closely with Kenya's wildlife service and are supporting it actively and financially in certain activities, particularly in support for elephant populations. I will continue to build on my relationship with Ministers there and will work with colleagues across Government to take forward the points that my hon. Friend has raised.

I should point out that, as a consequence of the EU single market, CITES has been transposed into European law via regulations that have direct effect in all member states. Those regulations list species in annexes, roughly equivalent to the CITES appendices, and also impose a number of stricter measures, including the requirement for member states to issue import permits in addition to the export permits issued by the exporting country. However, hunting trophies are regarded in international terms as personal and household effects, as the commercial transaction occurred within another country rather than across borders, so no import permit is required for appendix II species, although they are for annex I species.

Trophy hunting is often an emotive subject, but many recognise that, if managed properly, it can actually benefit conservation. Hunters can pay large sums of money for the privilege of hunting, particularly for Africa's "big five", which includes the lion. If it is managed properly and the income is fed back into conservation schemes and the local community, trophy hunting can have, and has had, a positive effect. Also, the value that hunting places on wildlife can often mean that some species are viewed differently by locals than they might previously have been, because they have a value and are more than just killers of livestock and a danger to families. Those who hunted those animals for food or their own protection in the past might now view their conservation as a sound investment. It is essential, of course, that such enterprises are managed effectively, with the conservation of the species being of paramount importance. Recent studies published earlier this year have raised some questions about lion trophy hunting.

Lion populations may be sparse in certain areas, but there may be concentrations of them in other areas. Our support for countries, and international operations, must be on the basis of better information about where the animals are, and the support that we can give to communities as a result. For example, until recently, Tanzania had authorised the taking of up to 500 animals per year, although our records suggest that takes have usually been in the mid 200s. Many of those animals are taken abroad as hunting trophies after they have been killed. The recent report into the status of lions in Tanzania makes several recommendations, including reduction of the quota, but we have yet to ascertain how Tanzania has reacted or will react to the recommendations.

As I have already made clear, it is for individual countries to manage their own wildlife, and, in the case of animals that can be killed, possibly for hunting trophies, to set their own quotas for each species, dependent on the population size. However, if there are concerns that trophy hunting is unsustainable in some places, we and the EU can raise questions and support tighter controls. Where we have such concerns, we would contact the exporting country concerned and normally also pass on our concerns to the CITES secretariat for broader consideration.

As CITES is a matter of EU competence and with the EU being a significant trading block for wildlife as well as everything else, it means that if the EU has concerns about the sustainability of wildlife it can bring considerable influence to bear through wildlife trade. Until the most recent reports voiced concern about the levels of some hunting trophy activities, the international community was not considering whether trade in lion trophies or the use of lion derivatives in medicines—another important point—posed sufficient threat to merit additional protection under CITES.

However, the UK is presently a member of the CITES animals committee and its standing committee. As a result of recent reports and my hon. Friend's debate today, I have asked my officials to look into the matter to see what opportunities are presented, and I shall report their findings to him. I hope that he is convinced from what I have said that the Government take seriously the conservation of international wildlife, including the lion, and I look forward to working with him on any further concerns that he has.

Question put and agreed to.

5.2 pm

Sitting adjourned.

Westminster Hall

Thursday 18 November 2010

[MR CHRISTOPHER CHOPE *in the Chair*]

BACKBENCH BUSINESS

Climate Change Conference

Motion made, and Question proposed, That the sitting be now adjourned.—*(Stephen Crabb.)*

2.30 pm

Duncan Hames (Chippenham) (LD): I am delighted to have the opportunity to lead a debate on the 2010 climate change conference at Cancun. I thank the Backbench Business Committee for its excellent judgment in allocating time for this debate.

I thank Green Alliance and Christian Aid for answering questions as I researched for the debate. I also thank the many constituents who impressed upon me their concerns and priorities for the Cancun conference, especially the climate activists I met as part of the Big Climate Connection. Their representations were a great encouragement. I do not have to choose between being an advocate for some of the most climate-vulnerable people in the poorest countries and representing my constituents, because the former is exactly what my constituents want me to do.

When applying to the Backbench Business Committee, I said that a third of Members are new and have not yet had an opportunity to debate climate change policy. Some of them are keen to take part in this debate; I particularly look forward to the contribution of the hon. Member for Liverpool, Wavertree (Luciana Berger), who speaks for the Opposition; like me, she joined the House of Commons this year.

I start by acknowledging the leadership of the last Government and the former Prime Minister, and the role played by the current Leader of the Opposition, in achieving a world first with the Climate Change Act 2008. I also acknowledge the contribution made by Members of Parliament from both sides of the House, many of whom are no longer Members, to strengthening that legislation. It is a record of leadership of which they can all be proud, and one that the new Government must build upon, not only with ambition and commitment but, crucially, in terms of delivery.

The Foreign Secretary has described climate change as perhaps the 21st century's biggest foreign policy challenge. The Cancun conference is critical to the international response to that challenge. Not only has action become increasingly urgent, but disappointment about Copenhagen has led many to question the ability of the international frameworks of the United Nations to address that challenge. Prior to the Copenhagen conference, public expectations had reached fever pitch despite the opaque nature of those negotiations and the difficulty that many had in foreseeing the obstacles—and, for that matter, exactly who was putting those obstacles in the way.

The Foreign Secretary acknowledged in a recent speech in New York that Copenhagen had not delivered on these high expectations because of a "lack of political will". Sadly, it seems that the easiest lesson to be learned from Copenhagen was how to manage expectations for Cancun. At Cancun, the world needs to make progress in making binding undertakings for mitigation and in funding commitments for adaptation. The best approach to undertakings for mitigation is to bring on board everyone that you can, and to make as much progress as possible, even if some parties are unwilling to come to the table. I hope that continuing progress in engaging the Chinese Government, as exemplified by Ministers in recent weeks, will allow substantial progress in that regard, even if some in the United States Congress continue to set their faces against the country's global responsibilities.

I am sure that others will want to speak about mitigation and to suggest ways forward. However, in the time available to me I shall focus on climate finance. A report earlier this month by the UN Secretary-General's High-Level Advisory Group on Climate Change Financing—the AGF—sets out a number of innovative ways to deliver the substantial Copenhagen target of $100 billion of climate finance a year by 2020. I congratulate my right hon. Friend the Secretary of State for Energy and Climate Change on his role on the AGF and his contribution to the report.

The advisory group report called the $100 billion commitment "challenging but feasible". We must take on that challenge in Cancun, however gloomy the sky that heralds the conference. After all, feasible means achievable: we must not live down to expectations. That finance must be truly additional to aid. Global aid transfers amount to about $120 billion a year. Redirecting the bulk of that money would have disastrous effects on humanitarian provision across the globe.

We cannot fund climate adaptation by diverting and repackaging aid, or by cutting vital funds for urgent programmes such as the fight against malaria. Similarly, initiatives to harness private-sector expertise and finance in tackling climate change are welcome; they are critical to the solution and should be welcomed, but they should not be credited to the developed countries' accounts. Their task, and their responsibility, is greater than that. What is more, many small-scale climate adaptation projects show no financial return, and remain stubbornly unattractive for private investment. I hope that the Minister will agree that although leveraging private finance is indeed important, public finance remains irreplaceable in meeting the climate needs of the poorest people.

I have already mentioned eye-watering sums. The accountant in me might stray into the sometimes dry subject of financial commitments; instead, I shall illustrate what this climate finance is for, and the difference it can make.

More than half of rural households in India still lack electricity. Fast-start finance funds off-grid, locally managed renewable energy schemes that deliver electricity to rural villages. Kasai village in Madhya Pradesh is not connected to the national grid. Since 2005, a small 10 kW biomass plant has generated electricity for Kasai. The plant provides lighting for houses, streets and the school, power for entertainment, and the electricity to run a flour mill, a milk-chilling unit and a water-pumping system. Kasai has biomass in abundance—wood, crop

[Duncan Hames]

residues, oil seeds and cattle dung—and it is gathered by villagers. There is a maintenance fee and a user charge, and the scheme is overseen by a village committee of six men and five women.

The benefits of that scheme are manifold. Every house has piped water; far fewer residents migrate; agricultural production has trebled with the availability of water for irrigation; villagers can sell milk that previously went bad in the heat; and the new mill allows people to process wheat and rice and to sell the flour. The urgent need for a reliable energy supply is met, and the use of renewable energy means that growth in carbon emissions is limited. Those double wins are just one example of a fast-start-finance climate project allowing a village to thrive that once was dying.

At Copenhagen, developed countries pledged $30 billion in short-term finance for projects like that between 2010 and 2012. Of that $30 billion, $10 billion was pledged by the European Union, which has so far delivered about $7.8 billion through existing channels such as the World Bank and the EU's global climate change alliance. When will the Government set out the timing and the delivery mechanisms for allocating the remaining fast-start finance that the Government have pledged? Is the £1.5 billion pledged for fast-start finance in the comprehensive spending review additional to the Government's overseas development assistance commitments? If not, will the Minister at least assure the House that that is not a reflection of the Government's attitude to long-term climate finance?

Developed countries can now respond to the progress of the advisory group, and to the menu of recommendations that it has made; they have clear practical choices on how to meet their obligations. This is a key opportunity for the Government to show leadership at Cancun, plotting the road map for mobilising finance and turning these innovative sources into a reality. The advisory group identifies a menu of options—the auctioning of emissions allowances, carbon taxes, levies on international aviation and maritime transport, multilateral development banks, and even a financial transactions tax. Those are realistic options that can generate serious revenue. I invite the Minister to give some indication as to which of the innovative sources of finance, identified by the UN advisory group, are priorities for his Department ahead of Cancun. Will he support a levy on international aviation and shipping? Will the British Government show leadership through the EU in co-ordinating a critical mass of developed countries to make possible a financial transactions tax?

Developing countries suffer more than 90% of the effects of climate change despite having done the least to contribute to its causes. Some 250 million people are directly affected by desertification and 1 billion are at risk. Another 135 million people are at risk of displacement due to the effects of environmental deterioration. Many of those people are the world's poorest and most vulnerable citizens. Countries such as Malawi, Bangladesh and Sudan are the most vulnerable to the impact of climate change despite having done the least to contribute to rising carbon emissions.

This is all our doing, but it is the most vulnerable people in the world who face the consequences. We have a responsibility to them. That much was acknowledged at Copenhagen. Action on climate finance now is not some kind of vague add-on, something that would be nice to achieve, or even an apology for failing to reaching binding agreements on mitigation. It is an essential component in reaching an internationally just settlement as part of the response to this global challenge.

Our Secretary of State has clearly made good progress with his colleagues on the advisory group in pointing to how climate finance can be delivered. Now the world needs to move forward. We need concrete proposals and the Government to show leadership at these negotiations. We must seek to build international consensus; to co-operate and to get the negotiations back on track. It is too late to stop now.

Mr Christopher Chope (in the Chair): Before calling the next speaker, may I say that it is the wish of the Backbench Business Committee that this debate continues only until 4.30? Therefore, I hope to call the Front Benchers at about 4 o'clock, so that we can give sufficient time to the second debate on our agenda.

2.42 pm

Dr Alan Whitehead (Southampton, Test) (Lab): I congratulate the hon. Member for Chippenham (Duncan Hames) on submitting to the Backbench Business Committee the idea of debating this afternoon one of the most important events that is to take place in the very near future. Many people discounted what happened after Copenhagen as being of marginal significance. Although a number of hon. Members have turned up to discuss this topic, they are, to some extent, people I would have expected to be present. Although I offer compliments all round, it is a matter of some regret that there is not a wider attendance this afternoon.

Turning to COP 16, we should remind ourselves that Copenhagen was one in a sequence of conferences of the parties. In hindsight, we can see that it was perhaps over-hyped. A huge number of Heads of State were present and the expectation, or the fervent hope—a hope that I shared—was that a binding agreement would be signed at Copenhagen and that the notion of COPs would move to a different level. Sadly, that proved not to be the case, so we move to Cancun with much lower expectations. Indeed, Cancun is the opposite of over-hyped—it is under-hyped, I think. The presence of key negotiators and relevant Ministers, as opposed to Heads of State, produces an entirely different outlook on the conference. I think the general expectation is that Cancun will produce very little.

What is important is that we in the UK do not dilute our ambition as a result of the apparent dilution of the ambition of others. It is essential that a high level of momentum is maintained where Cancun is concerned. I say that not because I expect Cancun to produce any form of breakthrough, despite what a few people say, but because unless it makes substantial progress in bringing negotiation frameworks back into play, the real prospect of COP 17 in South Africa resulting in the signing of a binding international deal will be lost.

The Kyoto agreement runs out in 2012 and even a binding deal in South Africa would give precious little time for the process of ratification, given the various accompanying hurdles and snares. Nevertheless, the goal of securing a binding commitment in South Africa rests securely on the ability of Cancun to move substantially

in that direction. Britain has a leading role to play. At the very least, it must ensure that post-Cancun there are the momentum, commitment and structures that will enable the real, breakthrough progress to be made in South Africa.

Because it is considered reasonably unlikely that Cancun will lead to anything conclusive, we should not feel that nothing will come out of Cancun. There are key goals that Britain needs not only to be very clear about, but to take a leading role in securing. They include the commitment on reduced emissions from deforestation and degradation—REDD-plus—which I believe can be concluded at Cancun. That would be a real breakthrough in the way developing and developed countries work together to tackle the consequences of deforestation, and even turn it back.

We must ensure clear examination of the so-called gigatonne gap, which is the difference between what the two-page document at Copenhagen stated and noted about the need to remain beneath a 2° increase in temperature across the globe by 2050 and the actual commitments, as yet ungratified, on carbon reduction by the various countries. How can we ensure better methods to examine the gigatonne gap, in terms of upcoming Intergovernmental Panel on Climate Change reports and other mechanisms, to get a much clearer picture of the relationship between what Copenhagen committed itself to, at least in outline, and the action that therefore needs to be taken? Hopefully, such action can be ratified consequently.

As the hon. Member for Chippenham mentioned, the question is how we move forward from the outline $100 billion global finance fund that was floated and generally accepted at Copenhagen. Again, precious few details or mechanisms by which it might work were attached to it. The AGF report, which he also mentioned, set out mechanisms, which some people have said are ambitious, but I think that most of them, in the context of the present emergency, are thoroughly realistic about the need to ensure that the fund is properly financed between developed and developing countries, and that the mechanisms by which it is financed are enduring, and are not simply Government commitments that disappear as quickly as they are made and as soon as the spotlight is turned off the issue and its consequences, as we have seen previously.

The reality of financial transaction taxes and how they can be introduced internationally is a key issue that needs to be progressed. Such taxes would be an important mechanism, in conjunction with additional taxes on the aviation and shipping sector, which are greatly overdue. Without those taxes and arrangements, the national commitments to be made on emissions will have little meaning. International capture of emissions from aircraft and shipping is important not only to measuring accurately what the commitments really are, but to making a substantial contribution to the reality and long-term sustainability of the global finance fund.

The UK can play a leading role precisely because it has, in effect, a low-carbon action plan: the Climate Change Act 2008. The consequences of the Act—the five-year carbon budgets, the clear trajectory towards a binding and lasting reduction in UK CO_2 and other greenhouse gas emissions in 2050 and the demonstrated mechanisms by which that will be achieved—are being looked at by other countries. South Africa, for example, is likely to adopt similar legislation in the next year or so, and countries in Europe and across the world are looking at how their mechanisms might take our experiences into legislation.

The moral leadership presented by what we have done in this country is an important part of our approach to Cancun. If we resile from the efforts to increase the EU commitment to 30% reductions in CO_2 within interim target periods, we will undermine the commitment recently made in the Act. There is a great deal for the UK to do at Cancun, even if the expectations for the conference are not high. The key to Cancun being as successful as it can be is countries such as the UK going into it with their ambition held high. If we succumb to a collective lack of ambition, there will not only be nothing at Cancun, but nothing in South Africa and a dribbling away of targets and their achievability.

We have a task ahead of us. I look forward to hearing from the Minister that the UK Government intend to be as ambitious as I hope they will be, and that they will go to Cancun and fly the flag for the achievability of agreements—not necessarily made at Cancun, but based on what happens there—and the achievability of real gains, which will lead to success in the near future.

2.54 pm

Zac Goldsmith (Richmond Park) (Con): I shall touch on three specific areas where the UK can have a particular and significant impact. The first is global fossil fuel subsidy reform. Hon. Members are probably aware of the joint International Energy Agency, Organisation of the Petroleum Exporting Countries, Organisation for Economic Co-operation and Development, and World Bank report, which was provided to leaders at the G20 summit in June. It stated that fossil fuel-related subsidies amount to almost $700 billion a year, roughly equivalent to 1% of world GDP, and if we phase out those subsidies, we could see a 10% reduction in world greenhouse gas emissions by 2050 compared with the business-as-usual scenario. I welcome the Foreign Secretary's recognition that

"removing fossil fuel subsidies will reduce wasteful consumption and inefficient production, and will improve economic efficiency and energy security and decrease carbon emissions".

Ahead of the Copenhagen summit, he echoed the words of the Secretary of State for International Development when he said that fossil fuel subsidy reforms should be

"at the top of the diplomatic agenda".

The trouble with those aspirations is that very few people believe that the emerging economies will implement the national commitments, which were flagged up, to reduce fossil fuel subsidies domestically. The non-OECD countries of the G20 account for the significant bulk of the subsidies—for example, Argentina, Brazil, China, India, Russia, Saudi Arabia and South Africa. It is apparent from written answers that I received from the Foreign Office, the Treasury and the Department of Energy and Climate Change that there was no discussion of fossil fuel subsidy reform with those countries between the G20 summits. Will the Minister use his influence to ensure that there is a diplomatic offensive across Departments to raise that issue up the international political agenda? Will he also press for a clear statement from the Government that they would like World Bank lending for fossil fuel projects to end? According to the Department for International Development, the World

[Zac Goldsmith]

Bank supported fossil fuel extraction and transportation projects to the value of $3.6 billion between 2005 and 2009.

The second area relates to rainforest finance. I am sure that all hon. Members appreciate the importance of halting global deforestation, so I will not repeat the arguments. I warmly welcome the Government's confirmation of £300 million-worth of fast-start finance to help rainforest nations to safeguard their forests. Unfortunately, as most people would accept, we are a long way from any meaningful agreement on the inclusion of rainforest in the carbon markets. However, we have seen the emergence of agreements between countries to protect standing forests—for example, the widely reported deals between Norway and Guyana and Norway and Indonesia. Does the Minister agree that, in the absence of a REDD agreement, the UK should find innovative ways to use some of the agreed £2.9 billion of international climate finance, which was put aside in the spending review, to pursue bilateral deals with rainforest nations?

Finally, global aviation emissions account for about 3% of global greenhouse gas emissions, but the sector is widely predicted to grow significantly. In addition to the other sources of potential finance already identified by speakers today, will the Minister press for a deal at Cancun that includes aviation?

I acknowledge the increased levels of public scepticism towards the climate agenda. To the climate sceptics I say that, for all our sakes, I hope they are right, but, though I doubt that any scientific thesis has ever generated as much attention or attracted more scrutiny, the vast bulk of scientific opinion still holds that man-made climate change is a real threat. I accept that few things are truly certain in science, but even the most committed climate sceptic would have to accept that there is a possibility that the majority scientific position is correct.

I am told that Vice-President Dick Cheney declared that if there was a 1% chance of a nuclear scientist helping al-Qaeda to build a nuclear weapon, we should treat it as a certainty in responding. Climate change seems far more likely, and the risks are certainly far greater. In addition, whereas the costs of inaction are incalculable, most of the steps necessary to deal with climate are steps that we must take irrespective of climate change. Surely it makes sense for us to apply the same logic. Thank you, Mr Chope, for the opportunity to speak.

3 pm

Caroline Lucas (Brighton, Pavilion) (Green): I thank the hon. Member for Chippenham (Duncan Hames) for securing this important debate. According to the Prime Minister's own words:

> "The dangers of climate change are stark and very real. If we don't act now, and act quickly, we could face disaster."

I agree absolutely, but that action must be driven by science, not political expedience. Although I welcome the fact, for example, that Britain is leading the way in passing climate change legislation, the targets in that legislation must be commensurate with the scale of the challenge that we face.

The Potsdam Institute for Climate Impact Research suggests that if we are to have a good chance of keeping the atmospheric temperature rise to less than 2° C above pre-industrial levels, thereby significantly reducing the likelihood of catastrophic climate change, average global emissions must be reduced by far more than the figures being bandied about in political debates. The institute discusses an average global emissions reduction of about 60% of the 1990 baseline by 2030. That is a global average: the responsibility of developed countries is even greater, because of course we are and have been overwhelmingly responsible for climate change. That responsibility equates to a 90% reduction in emissions by developed countries by 2020.

We face a monumental challenge, but it is important to put the figures on the table in order to remind ourselves of the scale of that challenge, as well as to remind us that equity and social justice must be at the heart of any new climate agreement. Many models have been proposed that encapsulate equity, ensuring that we move towards a situation in which each person has an equal right to a certain amount of emissions per capita. The models involve technical terms such as contraction and convergence, but they are essentially concerned with ensuring that we tackle climate change equitably. There is no way that we will get an agreement at Cancun unless equity is at the heart of it.

One of the biggest obstacles to progress at Cancun will be a potential lack of sufficient finance on the table for developing countries. International climate negotiations have stalled, not least because developing countries have no great faith that the industrialised north will deliver on its financial commitments to help poorer countries tackle their emissions.

At the Copenhagen summit last December, world leaders pledged £100 billion by 2020 to fight climate change. First, that figure, although welcome, is not enough. Secondly, the history of such pledges is not a happy one. Far too often, the pledges are not kept. If the money is forthcoming, it is simply re-badged money that has already been committed, rather than genuinely additional resources. Although I welcome the £2.9 billion committed by the Government to climate finance, I also understand that that money is not additional to the existing aid budget. Will the Minister clarify that? It is crucial, as the hon. Member for Chippenham said, that the money is additional and not a redirection of existing aid.

It is also clear that even with the £2.9 billion, we will need further, innovative financing mechanisms to raise more money urgently. A range of options has been discussed this afternoon, including a tax on aviation, but I want to discuss the so-called Robin Hood tax. It could be a critical instrument in helping to break the deadlock on global climate agreement negotiations. A tiny bank levy on financial transactions, if applied globally, could generate billions of dollars a year and provide poor countries, which have done the least to cause climate change, with the money required to cope with its impacts and to develop in a greener way. Although a Robin Hood tax would certainly be more effective if it were implemented globally, it need not be. It is important not to go away with the idea that it can only be done globally. Plenty of research suggests that it could be done nationally without giving the UK a massive competitive disadvantage, that we could take a lead on that positive initiative and that, even if the tax were only imposed in this country, it would still generate significant amounts of money.

Rich countries and corporations have grown wealthy through a model of development that has pushed the planet to the brink of climate catastrophe. We have overused the planet's ability to absorb greenhouse gas emissions. As I said, developed countries representing less than one fifth of the world's population have emitted almost three quarters of historical emissions. In a sense, the rich world has colonised the Earth's atmosphere, and that process has mirrored and perpetuated the vast economic inequalities that persist in the world today.

Meanwhile, poor communities—those least responsible for climate change—are already facing its worst impacts. It is happening now to people in Bangladesh, for example, and in many other parts of the world. Sometimes I hear people say, "We need some climate disaster to happen to wake the world up to the seriousness of climate change." Those disasters are happening now, and we need to wake up, make that link and put them on the front pages. Because of the rich world's historical responsibility for climate change, we have a duty to compensate the world's poorest people. That means finding climate-friendly ways to meet their energy needs and providing resources to assist them in coping with the effects of climate change.

The rich world's climate debt can be described as mitigation debt and adaptation debt. I will give a few more numbers, as they sometimes help to concentrate the mind. They are large numbers, but they remind us of the scale of the challenge that we face. A report published last year by the World Development Movement and the Jubilee Debt Campaign calculated that based on its historical responsibility, the UK's adaptation debt equates to at least £5.5 billion a year over the next 40 years, provided that it stops increasing that debt immediately: in other words, provided that we start absolutely reducing our emissions now. The same organisations make the case that we owe at least £11 billion a year for the next 40 years in mitigation debt. Those resources must be made available to enable us to share low-carbon technologies freely with the developing world and to fund low-carbon infrastructure. I acknowledge that that is an enormous amount, and we must use every tool available to generate it. Models such as the Robin Hood tax are some of the simplest and most effective that we could develop.

Cancun is just a few weeks away. Industrialised countries desperately need to be able to go to those talks with a new, big commitment on finance if we are to have any hope of reaching agreement. I hope that the Minister will tell us today that some new financial commitment can be made, and that he will say whether he supports the principle of contraction and convergence, or any similar model of dealing with climate change that has equity at its heart and is based on the idea that we must converge to a situation where everybody in the world has an equal per capita emissions right. That will not happen in the next years—it will take several decades—but we must get to the point where equity is at the heart of climate change negotiations, because right now it is not.

I will end by reflecting on political will. I am haunted by the words of the actor Pete Postlethwaite in the film "The Age of Stupid". For those Members who have not seen it, the film is based on the assumption that some kind of climate catastrophe has occurred 50 years hence and that Pete Postlethwaite's character is the sole survivor. He looks back to today and asks, "Why is it that, knowing what we knew then, we didn't act while there was still time?" Those words haunt me, because we have the information, technology and, frankly, the money that we need to act. When it came to bailing out banks, we found billions in a few days. If the planet were a bank, it would have been sorted out a long time ago.

The issue comes down to political will. It can be stated simply. Will we generate sufficient public and political will to tackle climate change fairly in the time available, or will we go down in history as the species that spent all its time monitoring its own extinction rather than taking active steps to avoid it? It worries me that only about a dozen hon. Members are here today. This Chamber should be packed—there ought to be a presence on the streets ensuring that it is packed—because this is the most important issue that we face.

Finally, if we were to take climate change seriously and introduce the measures that we urgently need, those measures would create hundreds of thousands of green jobs and improve our quality of life. For example, we would have fuel-efficient homes—people would not die from the cold in the 21st century—because we would have a proper programme of home insulation. We would have affordable, efficient public transport—they seem to manage it on the continent, but it somehow still evades us in Britain—and we would have kids playing in the streets again because our roads would not be packed with cars. We would also have a quality of life that, in many respects, would be more fulfilling and, crucially, there would be more jobs. At a time of economic austerity, people need jobs and there is no quicker means of job creation than to have a programme based on green jobs, insulation, environmental efficiency and renewable energy. I hope very much that the Minister will be able to tell us that he has got some good news on all of those issues when he sums up.

3.10 pm

Neil Carmichael (Stroud) (Con): I congratulate my hon. Friend the Member for Chippenham (Duncan Hames) on securing the debate and making it happen. This is a critical issue. Like other hon. Members, I would have preferred to see more people in the Chamber, but it is up to us to promote the problem of climate change and to excite people's interest in the subject. It is also up to us to come up with ideas and solutions that bring about the scale of interest that we undoubtedly need. The truth is that, even if we did just a little better than we have done thus far, we would still be facing a worsening situation in terms of CO_2 output. That is the reality. We need to embark upon a huge set of policy initiatives if we are to see a significant degree of improvement.

We have been talking about Cancun, but let us talk briefly about Copenhagen and why nothing happened there. The real reason nothing happened was that the United States and China got together and decided that nothing much should happen. The first and most important lesson for all of us in this room and beyond to learn is that Europe has huge responsibilities and a range of opportunities to influence the debate. Europe must play its part in a significant and resolute way if we are to start to secure the kind of agreements that are necessary. I hope that Britain plays a powerful role at Cancun, but we must also engineer a strong European voice; otherwise the same sort of thing will happen.

[Neil Carmichael]

Related to that, but just as important, is the role of the BRIC—Brazil, Russia, India and China—economies as emerging economies. It is not just a matter of what China and the United States are doing; it is about what those four economies do next. We must encourage them to pursue policies that are CO_2-responsible. For example, there is evidence that technology we have in my Stroud constituency is being exported to Brazil and elsewhere. It is critical to encourage such a relationship at national level, as well.

May I address some of the issues raised? My hon. Friend the Member for Richmond Park (Zac Goldsmith) talked about fossil fuels and the fact that they are subsidised in countries where we should not be subsidising them at all. Instead, we should be encouraging the right kind of technology. That is an opportunity for us and a necessity for those countries. I urge the Government to think carefully about that. The Government should not simply say that subsidising fossil fuels is bad; they should start to think about what is good for the economy as a whole. We need to promote that strong message.

Given the constituency of the hon. Member for Southampton, Test (Dr Whitehead), it was interesting that he talked about shipping and aviation. It is true that both shipping and aviation produce emissions that are damaging. However, we must get the proportion and scale right, because some 90% of trade is actually shipped. We must bear in mind that if we do not ship certain things and decide to produce them here, it could do more damage in terms of CO_2. We should not worry too much about shipping. We must get the proportion and our understanding of the questions of transport versus production exactly right. Talking about aviation taxes is not necessarily the right thing to do at this point, because I understand that aviation accounts for just 2% of emissions. It is much better to strike at the very heart of the problem and deal with the big issues that really matter: energy production and domestic transport.

Dr Whitehead: The hon. Gentleman observed that although I represent a port constituency, I said that international bunker taxes ought to be introduced on shipping. That should also be the case for aviation, not necessarily because of the percentage of emissions that shipping and aviation currently represent, but because there is an upwards trajectory in the percentage they will represent in the future. Indeed, we are assuming that our own carbon budgets are included in emissions totals. We would have to make unbelievably high reductions in emissions elsewhere in the economy if that is not the case, bearing in mind the trajectory increase. It is also true that, per kilometre tonne hauled, shipping is not remotely as emission-concentrated as aircraft. Nevertheless, taken in the round, the increase is very apparent, which is why I said what I did.

Neil Carmichael: I thank the hon. Gentleman for that helpful intervention. I still think it is a question of proportion. That is something we should have a discussion about. I started off by pointing out just how steep the challenge really is and I think all hon. Members in this room would agree with that. I think we all recognise that significant CO_2 reductions just have not happened thus far—in fact, there has been an increase.

I shall end by mentioning the point made to me very forcefully earlier this week by the Institute of Mechanical Engineers—I think my hon. Friend the Member for Chippenham also heard what was said. The institute rammed home just how big the challenge is and how important technology will be. It talked sensibly about the need for Britain to push ahead with the development of technology. I hope that the Government will continue to reassure us that that is exactly the direction in which they intend to go and that renewable energy and so forth will be promoted. We need to create a secure market for all of those things. It is crucial that we set about producing an infrastructure that is responsive to the new types of energy that will be feeding in, so that we can distribute easily. I am not just talking about a national infrastructure; I am talking about a European infrastructure. Renewable energies have their geographic suitabilities—for example, wind in one area and solar and hydro in others. We need to be flexible enough to benefit in big ways from all of those through a proper infrastructure.

Last but not least, if we are to start taking remedial action, which we need to do because of the scale of the problem, geo-engineering is a way forward. The Institute of Mechanical Engineers also made that point. I understand that we are not yet really in that development area, but we should be, because that is something in which Britain could play a part. We need to start to think carefully about our commitment to geo-engineering as a demonstration of how we will deal with the problem. Involvement would also bring about obvious advantages in terms of jobs and economic growth for ourselves and anybody else who cared to help us.

Those are the points I wanted to make. I can sum them up in this way: first, let us recognise the gravity of the problem. Secondly, let us recognise that solutions will, first and foremost, be international, which is why we must frame our argument along the lines I have described. Thirdly, we must encourage the right technology and implement it where we can.

3.20 pm

Barry Gardiner (Brent North) (Lab): Setting out a realistic ambition for the United Nations Framework Convention on Climate Change at Cancun must begin with a clear understanding of what happened at the fifteenth session of the conference of the parties in Copenhagen in December. It also demands humility on the part of the UK and the EU. In the UK we often behave as if we are the acknowledged global leaders on climate change, and as if we believe we punch above our weight. Indeed, that has already been suggested in this debate. It may be worth reminding ourselves that the final negotiations in Denmark took place between the leaders of China, the US, India, Brazil and South Africa. The meeting itself may have been in Europe but Europe was not in the meeting.

Europe has no leader, which means, in summit politics, that it has no voice. To say that EU negotiators played a considerable role in crafting the accord may be true, but in the final frame Europe was not present—never mind the UK. Europe needs to become a player once again. We have certain unique contributions to make to the ongoing debate, but we shall not be able to make them if we cannot agree on a spokesperson who is taken seriously by the leaders of the emerging powers and the USA.

The problem may not manifest itself so much at Cancun, because we do not expect the influx of world leaders that went to COP 15. However, the situation is more likely to be a problem in South Africa in 2011 at COP 17, and it certainly will at the Rio plus 20 summit the following year. It needs to be addressed now.

There is no common narrative about Copenhagen. The western media proclaimed COP 15 a failure because it did not deliver a legally binding agreement. Cancun will not deliver a legally binding agreement either. The truth is somewhat more complicated. As the world's largest emitter of greenhouse gases, the USA is a critical player, but it has refused to ratify the Kyoto protocol because of the concern that it might damage US economic growth. Given the fact that Kyoto places no binding commitment to emission reductions on major developing countries such as China and India, the USA has made it clear that it is unlikely to join any post-2012 framework based on Kyoto. By contrast, developing countries are concerned that annexe I countries have failed to live up to the commitment that they took on at Kyoto. They want a second commitment period under the protocol, as that guarantees the important—in their view vital—principle of common but differentiated responsibility, which reflects the greater historic responsibility of the developed nations as well as their greater wealth and capacity to act.

Another group of countries, which includes Japan, Australia, Canada and the EU, believes that it is essential to bind in the United States to any future agreement, and wants the major developing nations to take on commitments of their own. The first commitment period of the Kyoto protocol will conclude in 2012, and most parties are conscious that we must establish a post-2012 settlement that is comprehensive and preferably legally binding. Copenhagen failed to do that. So will Cancun.

In the mean time the Copenhagen accord created a loose, open-architecture structure, which is very much a coalition of the willing. Under the accord, countries put on the table the national actions that they are prepared to take to reduce their emissions—nationally appropriate mitigation actions. They monitor their success in achieving their own targets. Interestingly, although the western press accused China of spiking an agreement at the time, that is precisely the sort of structure that China had already proposed two months before Copenhagen. It has the benefit of preserving sovereignty while maximising commitment. Obama's insistence on international monitoring of China's voluntary actions within the Kyoto process, when the USA had not even ratified the Kyoto protocol, was less informed diplomacy than strategic media grandstanding. The world's press fell for it, but we should not.

President Obama's political capital has now been expended on a weak health care Act. The cost is his inability to get a climate change Bill through what was the most amenable Congress in decades. The mid-terms have configured a very different Congress, and we in the UK must now consider where future progress on climate change can best be pressed to advantage. One thing is clear: that place is not America.

China's 12th five-year plan was announced last week. It will be published in detail in the spring, and it makes it clear that China is looking to create an emissions trading scheme. In Europe we have considerable experience, both positive and negative, of the EU ETS and the EU must work with China to help it to learn from the initial mistakes that we made in setting it up. Indeed, those discussions are already going on at a high level.

It is time for the UK and Europe to refocus our efforts away from the United States to form a more strategic alliance with China. Last week I participated in a Global Legislators Organisation for a Balanced Environment forum on climate change in Tianjin—I refer hon. Members to my entry in the Register of Members' Financial Interests—along with 70 legislators from countries ranging from South Africa to Brazil. Sixteen of the G20 countries were represented, including the US. It is clear to me that a radical programme for climate change would mean the EU joining forces with China, ultimately to create common standards in products, and a joint carbon market establishing an international price for carbon around the globe. That would be a game changer. More than that: it could be a game changer that market makers in the US would suddenly find extremely threatening. America can resist any opposition to its policies. What it cannot take is being sidelined or ignored. Let us imagine that the biggest pressure on President Obama to sort out climate change came not from the liberal left or even from some "blue dog" Democrats in the Senate, but from American industry and Wall Street itself. What if Wall Street were saying to Obama: "Climate change? It's all about the economy, stupid!"

As we approach Cancun we need to be clear about why the accord is not sufficient and what is required to take the negotiations on a trajectory that may be able to deliver a legally binding agreement. The total emissions reductions pledged so far under the accord by the US, Japan, Europe and the major developing economies fail to match the scientific calculations on targets for stopping dangerous climate change: the accord agreed on a rise of no more than 2° C. The accord makes no enforceable provision for funding of capacity building in developing countries. It creates no binding obligation on developed countries to finance adaptation, or to effect technology transfer. It creates no structure to reduce emissions from deforestation and degradation. I will try to deal with each of those aspects of the matter.

First, as to emissions reductions, currently almost 50% of global emissions come from the developed world, which represents just 20% of the global population. The World Resources Institute estimates that the developed country commitments at Copenhagen would reduce those countries' emissions by no more than between 13% and 19% below 1990 levels. The IPCC has called for between 25% and 40% reductions. Therefore, the commitments from the developed world fall well below the minimum that the IPCC believes is necessary to avoid dangerous climate change of more than 2° C. Among the major countries, the USA has offered to reduce its emissions by 17% by 2020, but only below 2005 levels, which equates to a reduction of just 3% below 1990 levels.

Let us now look carefully at our own suggested target of at least 80% reductions, from 1990 levels by the developed world. Why has that not been welcomed more fully by China and other G77 nations? Let us cash out the numbers. Global emissions in 1990 were 21 gigatonnes—21 million metric tonnes—so the global reduction of 50% required to sustain a 2° C trajectory would give the world a total of just 10.5 million tonnes

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of emissions annually to play with. In 1990, the developed countries emitted 15 million of those 21 million tonnes, so an 80% reduction would mean that they should emit no more than 3 million tonnes by 2050, or almost 30% of the world's total annual emissions.

Today, the developed world accounts for just one fifth of the global population, and the proportion is estimated to fall to just one eighth by 2050. Why should we expect China and India to think it fair that one eighth of the world's people should get 30% of the world's emissions capacity? It would mean that developed countries would have exactly three times the emissions per person of developing countries, which is hardly the basis for a just and sustainable international settlement.

To date, the mitigation debate has been locked around a failure to agree on emissions reductions targets that will equate to a rise of no more than 2° C. The reason it has always stalled there is that the Chinese and the Indians are good mathematicians and so refuse to lock themselves into what is a manifestly unjust equation.

Let us now turn to finance. At Copenhagen, developed countries under the accord pledged a significant amount of money—$100 billion annually by 2020—as has already been mentioned. There is also fast-start funding approaching $30 billion cumulatively through 2012 for developing country mitigation and adaptation. However, that created new questions on both the sources of that money and the policies that it is supposed to pay for. Those are fundamental issues of trust between developing and developed countries. The accord did not specify how, from where or under what conditions the funding would be transferred, and developing countries urgently need that clarification before they commit themselves to the way in which they will account for how the funding is used.

Developing countries, on the other hand, first seek clarification on how the money they commit will be used. They want a clear system for measurement, reporting and verification—MRV—of the developing country mitigation actions. Understandably, we say that we cannot send our taxpayers' money to pay for mitigation projects without a clear mechanism for MRV to hold people accountable and show that the money is actually achieving the desired outcome of emissions reduction. That has created a chicken-and-egg problem in the negotiations; developed countries are unable to provide clarity on financing until developing countries provide clarity on their mitigation measures, and vice versa.

How can we break that stalemate? The proposed wording mentioning the Copenhagen accord's figure of $100 billion has made it into the negotiating text for Cancun, albeit as one of hundreds of phrases and options that are currently in brackets. Some parties have suggested referring to the $100 billion that is otherwise mentioned only in the Copenhagen accord, but not all parties have yet agreed to do so. Potentially, a critical bulldozer to remove the roadblocks is the high-level advisory group on climate change financing, which has already been mentioned, which was created by the UN Secretary-General after Copenhagen. Heads of state and Ministers have been studying sources of revenue for the promised $100 billion a year by 2020. That group has completed a report that will be released just before the negotiations in Cancun, and the sight of money on the table might be what is needed to restore the lost trust between the parties.

In addition, negotiating sessions since Copenhagen have produced general agreement on a fund that will channel rich countries' financial contributions to poorer nations' mitigation actions, and both developing and developed countries have put forward constructive proposals on how that fund could be operationalised. That means that Cancun could see a COP decision officially creating that fund and procedural rules relating to it. In Europe, we should certainly press for that to happen. With more clarity about the money, developing countries might be willing to agree to let the international community measure, report and verify what that money is used for. MRV of mitigation actions in developing countries is, in my view, the essential key to unlocking those funding flows. We should emphasise that point to everyone in the negotiations. What is required at Cancun is a clear decision on how such reporting will take place and possibly some sort of global registry of mitigation actions that can be scrutinised and verified so that funds can begin to flow.

At Cancun, a goal for REDD-plus—a development of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries—should be written into the preamble of the decision text. That goal could be to reduce emissions from deforestation by 50% by 2020, for example. The type of activities recognised as part of the REDD-plus decision, however, must be nailed down. The REDD-plus decision text includes references to reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest and enhancement of forest carbon stocks. The accord, however, only mentions the first three goals. To clarify which activities will receive compensation, the definition of what constitutes REDD-plus needs to be made consistent within the UN process.

Another uncertainty relates to the mechanisms used to fund REDD-plus activities. The Copenhagen accord, like the Bali action plan, states that there should be positive financial incentives for countries that take action to reduce deforestation and degradation, but how countries would receive that money is still up in the air. It could be through a carbon market, a dedicated fund or something else. That question needs to be resolved in the REDD-plus decision text.

Industrialised countries expect a market mechanism for REDD, with the exception of Norway, whose Government, commendably, is donating billions to rainforest protection. Rich countries envisage significant participation of the private sector in REDD financing, through market incentives such as the clean development mechanism. On the other hand, developing countries are wary of markets, preferring direct Government-to-Government funding for REDD. Although the current negotiating text contains proposals in brackets that explicitly forbid the use of markets and the creation of offsets for REDD, it also leaves the key phrase "options to use markets" in brackets.

Several parties to the REDD discussions have highlighted in their statements the importance of maintaining the environmental integrity of any market mechanism associated with REDD. That shows that they still consider

a market mechanism to be a potential outcome. Outside the negotiations, Governments have created infrastructure for REDD finance but will not necessarily come through with their financing pledges—again, something that was alluded to earlier. Donor members of the REDD-plus partnership—a group of more than 60 nations that have either pledged to fund REDD efforts in developing countries or are slated to receive them—are having trouble making good on their financing promises, and some donations constitute rebranding of previously allocated funds. Our own Government should take note of that.

In contrast, the private sector has shown real interest in REDD credits on the voluntary carbon market, presumably for both marketing and speculative purposes. For instance, the first REDD project is expected to be approved under the voluntary carbon standard this December. In addition, BNP Paribas has set up an option to buy up to $50 million worth of potential forest credits from an African project. If developing countries continue to perceive private sector interest in market mechanisms for their mitigation actions while they are waiting for industrialised Government funding to come through, they may remove barriers to markets in the negotiating text and thus open up the option for business to participate in global emissions reductions through tradeable REDD credits. That is another aim that our Government should pursue at Cancun.

Mr Chope, I seek your guidance on time. I wonder how we are doing.

Mr Christopher Chope (in the Chair): The hon. Gentleman has been speaking for 21 minutes, according to the clock. I know that at least one other Member who has not yet spoken hopes to be able to chip in something to this debate. If the Front-Bench spokesmen take 10 minutes each and push right up to half-past 4, that means that we will have to start the Front-Bench speeches at 10 past 4, but they may want a bit more flexibility to answer some of the points that have been made. I do not know whether the hon. Member for Truro and Falmouth (Sarah Newton) wishes to participate.

Sarah Newton (Truro and Falmouth) (Con) *indicated dissent.*

Mr Christopher Chope (in the Chair): That is the score, so the hon. Gentleman can make his own judgment.

Barry Gardiner: I am grateful to you, Mr Chope. In that case, I will not pursue my remarks on land use, land-use change and forestry—LULUCF—because I believe that the Department is already familiar with what I would say. I understand that it is looking carefully at ensuring that there will not be half a gigatonne of free credits in any post-2012 LULUCF settlement, the fear that has been expressed by many.

Perhaps the most difficult question for this conference of the parties is whether it is possible to move forward on all of the issues without first dealing with the elephant in the room: the stalemate about the overall form of the agreement. The US has contended that all the elements of a global deal should be pursued simultaneously, and it objects to an approach that it says cherry-picks—that takes areas where we think progress may be likely, such as, for example, REDD-plus. However, if negotiators continue to pursue the so-called American balance package, they may spend so much time and effort discussing the form of an agreement after 2012 that they fail to take even relatively easy decisions that could achieve real progress.

Over the past two years, GLOBE legislators—legislators participating in the Global Legislators Organisation for a Balanced Environment—in 16 of the G20 countries have been discussing the architecture of a post-2012 deal. They have put forward a proposal that suggests a way forward that might be politically acceptable to the major economies. Negotiations under the Bali action plan are currently taking place on two separate tracks. The first is the Kyoto track—those who support Kyoto—whereby Kyoto parties are considering further targets for a second commitment period beyond 2012. There is also the convention track, where long-term co-operative action involving all parties including the US and major developing economies is considering how to strengthen action taken under the convention.

Based on those discussions over the past two years with more than 100 legislators in different countries, we believe that certain elements could be part of a politically acceptable deal: first, agreement on the overall level of ambition that has already been stated in the Copenhagen Accord to hold the increase in global temperatures below 2°C; secondly, a decision under the Kyoto track that commits annexe I Kyoto parties—the developed countries—to a second commitment period, 2013-17, and involves quantified, economy-wide emissions reductions targets and the associated commitments of finance and technology, subject to addressing satisfactorily the issues of hot air and the rules for accounting for forestry emissions; and, thirdly, either a new parallel treaty under the convention track or a set of COP decisions under the convention track that place comparable commitments on the US without its having to join the Kyoto protocol. Such commitments could include an economy-wide emissions reduction target and a commitment to provide financial and technological assistance to developing countries, and formalising the actions of the major developing countries—for example, on carbon or energy intensity targets, renewables targets, efficiency targets, sustainable forestry targets and other central policies—with a commitment to increased transparency through national communications under the United Nations Framework Convention on Climate Change. We believe that that could be achieved through the recognition of national legislation and the role of Parliaments in monitoring, reporting and verification.

Hon. Members have alluded to many other aspects: air and sea bunkers, the EU position and whether we should have a more or less robust position in the negotiations. It is clear that Europe is split at the Commission level on European targets. They were offered at 30% if others participated and came in with further commitments before Copenhagen, and repackaged afterwards by Commissioner Hedegaard in such a way as to imply that they were good for our industry anyway, and we should just get on with it.

I met both Commissioner Hedegaard and Commissioner Oettinger the other day. In the morning, Commissioner Hedegaard told me that it was absolutely vital that we proceeded to reduce emissions by 30% by 2020. In the afternoon, Commissioner Oettinger told me that it was absolutely impossible to do so. The Commission is

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irrevocably riven on the subject, and there is clearly no desire to adopt a more robust position at Cancun and going forward.

I believe that we are not looking for a legally binding agreement at Cancun but for small stages of progress that can take us forward to Johannesburg in the following year, and to Rio plus 20 in 2012. However, we need to adopt a much more radical approach in the alliances that we form. We need to look across the globe to China and other BASIC countries—Brazil, South Africa, India and China—to see how we can develop common standards and frighten American business and industry into realising that they are being left behind, and that they need to come into a common framework under the UNFCC.

3.49 pm

Charlotte Leslie (Bristol North West) (Con): Members might be relieved to know that I will keep my contribution short. The hon. Member for Brent North (Barry Gardiner) spoke with far more knowledge and detail and far more eloquently than I can, and covered many of the points that I wanted to make. That will, no doubt, come as good news to all. I wish to thank my hon. Friend the Member for Chippenham (Duncan Hames) for securing the debate. Our attendance today suggests that we need no reminder that climate change affects us all.

A perpetual challenge for climate change conferences is matching up the microcosmic with the macrocosmic: from the level of individual action to regional, national and international action. Putting that scale of possibility for action together is often the challenge that international climate change conferences run into.

Sidetracking for a moment, I am very proud to be a representative of Bristol North West. Bristol is a city that I will often criticise, but it has done extremely well in making itself a green city, with biomass plants in the Blaise nursery in my constituency, and in pressing for the wider, global impact of planning applications to be taken into account in the planning process. It might be slightly odd to raise a local issue when we are discussing such an international matter, but it demonstrates that to make progress we need not only ambition—an abstract thing—and legally-binding targets that embed hope in a legal framework, but action and strategy.

The hon. Member for Brighton, Pavilion (Caroline Lucas) mentioned equity, the hon. Member for Brent North talked about China, and my hon. Friend the Member for Chippenham mentioned climate finance, and I shall talk briefly about those issues. Climate finance is an absolutely key issue. In recent discussions with some representatives from the Chinese Communist party, we talked about the perceived luxury of morality that developed countries have when it comes to climate change. As the discussion progressed, we began to unravel that the problem was having a judgmental morality rather than an enabling one. If I can suggest anything to people far more knowledgeable and experienced than me in these climate talks, it is that we need to shift from a judgmental morality to an enabling one, and to understand where countries such as China and India are coming from and the trade-offs that they have to make to reach the position—to which they aspire—of having the luxury of the morality that we enjoy.

The hon. Member for Brent North covered this issue in comprehensive detail, but I wonder whether we should flip the coin, and change from black to white, from sticks to carrots, and from constraint to opportunity. As he said, China has already demonstrated encouraging signs—perhaps surprisingly for much of the British media—that it is looking at climate change far more proactively than we may think, not only from the point of view of morality, but because it sees a great economic opportunity. Europe likes to think of itself as a leader in green technology, but we might have to start stepping up our game because China—this should be good news to everyone—is also stepping up its game substantially. It has already started to put climate change measures into legislation for the congress in 2011; it has committed to reducing its carbon intensity by 40 to 45%; and it might even, as the hon. Member for Brent North said, be willing to sign up to emission cuts, which is something that we can work on.

In particular, if we look at what Europe, and Britain as part of Europe, can offer, and at what we can bring to the table in an arena with two extremely big players, China and the United States, I suggest—and I recognise that I do not have as much knowledge and experience as other contributors today—that the best thing that we can offer is leverage. We could provide a lever to use China's motivations and the opportunity they provide to nudge the USA into a far more co-operative position. We cannot do that by simply pushing; we cannot do it by endlessly enunciating ambitions; and we cannot do it by just creating expectations, embedding them in legislation and then somehow hoping that the existence of legislation makes things a reality. We have to be very strategic. The low expectations for Cancun are a massive opportunity, as are the low expectations of China. I very much hope that Cancun can be a massive surprise.

3.54 pm

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Chope, and I, too, congratulate the hon. Member for Chippenham (Duncan Hames) on securing this timely debate.

The UN summit in Cancun is a chance for world leaders to make vital progress toward a legally-binding treaty, and it is only right that this House has the opportunity to debate the issues. We should all be in no doubt that climate change is the greatest threat facing our generation. It will have an impact on a global scale. We can expect to see greater hunger due to increased water scarcity, extra health risks from diseases such as malaria, the impact of rising world temperatures on agriculture, and more climate-related disasters. The threat is both real and urgent.

This year has been one of the hottest on record. We have seen extreme weather events across the globe, with mudslides in China, forest fires in Russia, floods in Pakistan and the breaking-off of a massive ice sheet in Greenland. Millions of people have seen their homes destroyed and their lives shattered. This is a global threat, and it will require co-ordinated global action. As my hon. Friend the Member for Southampton, Test (Dr Whitehead) said, expectations for Cancun have dampened since Copenhagen, but it is clear that progress can be made, especially on climate finance. Making real progress on that at the forthcoming summit must surely be a priority.

Vital to any progress towards a global deal on emissions is the provision of sustainable and predictable sources of climate finance for developing countries. Without that, many of the gains that the world's poorest countries have made in development over the past 50 years will be lost. Climate finance is necessary to help vulnerable people and poor countries cope with the impact of climate change and develop in a carbon-constrained world. I urge the Government to press other countries, particularly those within the EU, to deliver the $30 billion in fast-start funding pledged at Copenhagen, as soon as possible. By delivering early on our promises, developed countries can send a powerful message to developing countries.

Delivering on the fast-start finance is important, but we also need to look beyond 2012 and work to develop a substantial long-term finance package. As other hon. Members have said, the UN Secretary-General's High-Level Advisory Group on Climate Change Financing has just reported on a range of financing sources that could be used to provide the $100 billion pledged at Copenhagen. I welcome the Secretary of State for International Development's commitment in a speech today at a Climate and Development Knowledge Network event that the Government will seek to make progress on that at the summit. I also welcome his announcement of the Government's support for a climate advisory fund, which will provide access to legal and technical support for the poorest countries, to secure their participation in reaching an equitable deal. A bold solution to financing must be reached, as relying on private sources alone will not be enough.

Duncan Hames: Given that the hon. Lady mentions the AGF report, I wonder whether she would share my view that an important and helpful next step would be some quantification of the potential contribution of the options in that report towards the $100 billion a year target. The advisory group has not yet done that, but it would certainly help to concentrate minds.

Luciana Berger: I thank the hon. Member for his contribution, and I accept that quantification would be warmly welcomed.

Not only is it vital that long-term finance is made available, but we should also be clear that the money must not be repackaged aid. The $100 billion pledged at Copenhagen is a similar amount to current annual global aid transfers. At a time when aid budgets are stretched, redirecting the support to global climate financing would inevitably have serious consequences. Under the Labour Government, there was a cap on UK climate finance spending, which ensured that no more than 10% of the money could come from the aid budget. Although the Government's planned spending for this year will not exceed that cap, so far we have not received any confirmation that the 10% cap will remain for the long term. We are clear on this side of the House that the vast majority of the aid budget should remain focused on tackling poverty, and that the UK's commitments to climate finance should supplement our aid commitments.

We need to hear from the Government what they plan to do after 2013. Will they keep the cap, or do they plan to cut the aid budget to fund international climate finance commitments? Strong leadership from the British Government is vital to ensure that we make progress on tackling climate change, and such leadership is needed both at home and abroad.

At home, we need to do a lot more to build a low-carbon economy. We can only show leadership globally when we practise what we preach. The Government inherited a strong green legacy from Labour. The Climate Change Act 2008 was the first of its kind in the world, and it is widely acknowledged that Britain has made huge environmental progress in recent years. It has been at the forefront of tackling climate change on the international stage. The Government deserve some credit for building on Labour's legacy by bringing forward proposals for a green investment bank and the green deal. The intentions are good, though at this stage the details are thin.

In Europe, the Government need to push our European neighbours to commit to a second phase of the Kyoto protocol, which focuses on developed countries cutting their emissions first and fastest. There are grave doubts on both sides of the House, even from members of the Government, as to the Prime Minister's ability to lead on the issue in Europe.

On 22 April, the Deputy Prime Minister said,

"I think if you're going to lead on this, of course you have to lead at home, but you also have to lead in Europe. There's no point clubbing together as David Cameron has done with people who even deny the existence of climate change in Europe."

We all saw how the Prime Minister was marginalised last week at the G20 summit. We can only hope that the same does not happen again, because the UK must be at the heart of Europe pushing for an ambitious global plan on climate finance. This Government will never be the greenest ever unless they back up their soundbites with strong leadership, decisive action and determined commitment domestically, in Europe and on the international stage.

There is much to be achieved at Cancun. I urge the Government to be at the forefront of the discussions and to take a lead in ensuring that the summit delivers on climate change.

4.1 pm

The Minister of State, Department of Energy and Climate Change (Charles Hendry): It is a pleasure to serve under your chairmanship this afternoon, Mr Chope. We have had a good, productive debate; it has been thoughtful, considerate, passionate and wide ranging. Although the numbers have not been as great as we might have wished, the quality of the debate could not have been better. People looking at it from outside will have perceived the genuine commitment of everybody who spoke to get the best possible deal out of Cancun and to make real progress. One of the most important roles of the Backbench Business Committee is constantly to raise ambition; to push and encourage the Government to do more; and to encourage the Government to be realistic, but ensure that we know we have the support of parties in all parts of the House in raising the ambition for what is possible.

I commend the hon. Member for Chippenham (Duncan Hames) on the way he introduced the debate. He made an extremely effective contribution in which he raised many important issues. I hope to deal with those points and everything else in my response. He rightly paid tribute to the work of the last Government. One of the

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most important aspects of the progress that we can make in this country is the degree of cross-party agreement on what needs to be done. The commitment to an 80% reduction in carbon emissions by 2050 had the support of a broad coalition. Members of the Opposition in the last Parliament pushed the Government to go further, and the Government responded positively. It was therefore possible for this country to give a global lead towards achieving our aims. The hon. Gentleman was also right to say that we need to bring as many people on board as possible. He talked about China and other parts of the world, because this is not something we can do on our own or purely with Europe. This is a global challenge requiring a global response.

I was also impressed by contributions from hon. Friends and hon. Members, including the hon. Member for Liverpool, Wavertree (Luciana Berger), speaking for the Opposition. My hon. Friend the Member for Richmond Park (Zac Goldsmith) is completely right in saying that we have to win hearts and minds. That is where his measured tones are so much more effective than a hectoring style. That type of tone, reasonableness and thoughtfulness, help to win people round and to understand the extent of the challenges we are facing. As the hon. Member for Brighton, Pavilion (Caroline Lucas) says, climate change is happening now—a point supported by the hon. Member for Liverpool, Wavertree. We only need to look at what has happened this year to realise that time is not on our side. We have to act now and constantly up the pace at which we tackle these issues.

My hon. Friend the Member for Stroud (Neil Carmichael) talked about the need to encourage progress, not just to penalise bad behaviour. That is at the heart of the tone that we should be adopting. If we want to encourage people to change, we should be showing how much better things can be, rather than constantly telling people how bad they are at the moment.

My hon. Friend the Member for Bristol North West (Charlotte Leslie) picked up that theme. I liked her analogy of moving from judging to enabling—that is an effective comparison. She mentioned, as others did, the importance of China. I know that when the Prime Minister and others were in China last week, they were constantly impressed that China is not a laggard. China is determined to lead the world in clean technologies. It is rolling out onshore and offshore wind and other low-carbon technologies, and seeking to take a lead in carbon capture and storage. China sees an extraordinary business opportunity and wants to ensure that it takes a global lead.

As has been constantly emphasised, the scale of the challenge shows that we must have international action; it is not something that the UK can do on its own. Our proportion of global emissions is just 2%, so even if we managed to obliterate those over the next few years, without action being taken across the world we cannot begin to make the necessary progress to limit global temperature increases to no more than 2%. We all know that beyond 2% the risks of dangerous climate change are greater and the costs associated with managing the impacts rise sharply. That is why we are committed to working towards a global deal to limit emissions, and to provide support for developing countries to adapt to the inevitable consequences of climate change.

Barry Gardiner: So as not to mislead people, would the Minister care to correct the record? I think he meant 2°C, rather than 2%.

Charles Hendry: I did mean 2°C, and I am grateful to the hon. Gentleman for clarifying that for me. I am not sure what 2% would work out at, but 2°C is the figure we should be working to. I am grateful for that clarification and correction.

A legally binding global deal is the best way to secure a stable, transparent framework for action, build confidence for investors and reassurance for the developing world that developed countries will deliver their commitments, but as Copenhagen showed us, we must be realistic about when such a deal can be achieved. We all now recognise that expectations at last year's Copenhagen conference became over-inflated. That is a point brought home by the hon. Member for Southampton, Test (Dr Whitehead), who speaks with such expertise on many of these matters. In reality, there was a lack of political will on the part of too many countries to reach a comprehensive deal. We need to win the argument that it is in countries' political, economic and security interests to move towards low-carbon economies.

Although we will not agree a full legally binding treaty in Cancun, we can and must make solid progress. Cancun can set the stage for future negotiations and provide an essential stepping stone towards a legally binding agreement in the future. Our preferred outcome at Cancun would be to make solid progress on a package of issues that would benefit both developed and developing countries. That package could include bringing the emissions reductions offers countries have made since Copenhagen into the UNFCCC process; strengthening the measurement, reporting and verification arrangements, which will ensure progress on emissions is transparent; and establishing the structures for climate finance beyond 2012, including an international green fund for climate change.

Achieving even that will be challenging. All countries must be prepared to show flexibility in their positions to maximise the chances of success and progress. That is why the EU has signalled its willingness to sign up to a second commitment period of the Kyoto protocol, subject to certain conditions being met. But success does not depend solely what happens at the negotiating table. Given the challenges in securing a global deal, we must increase our support for practical action on the ground, in parallel with negotiations if we are to persuade other countries that taking ambitious action is in their economic and security interests. We must demonstrate the benefits of moving to a low-carbon economy domestically, and support others who are willing to do the same; encouraging them to deliver on their existing commitments to reduce emissions and go even further.

In that respect, I believe we have a strong record as a new Government in trying to achieve progress. We do believe in showing global leadership in the measures we are putting place to mitigate climate change. We have allocated £1 billion to the green investment bank, even in these difficult times, and made a commitment to come forward with additional funding. We are encouraging the most ambitious programme of energy efficiency improvements through the green deal, which will be the centrepiece of the energy Bill this winter.

We are providing £1 billion of investment to support the demonstration of carbon capture and storage technology—the most any Government anywhere in the world have allocated to a single project—thereby ensuring that the UK will continue to lead in that critical technology. The internationally renowned "2050 Pathways Analysis" helps us to consider some of the choices and trade-offs that we will face over the next 40 years if we are to move to a secure, low-carbon economy, and it allows us to explore the combinations of effort that will be needed to meet our emissions targets while matching energy supply and demand. We are taking action to switch from fossil fuels to cleaner and more sustainable green sources of energy by taking forward the renewable heat incentive, a world-leading scheme that provides long-term support for renewable heat technologies. There are also the feed-in tariffs to encourage microgeneration.

My hon. Friend the Member for Bristol North West mentioned the biomass facility that I was delighted to visit with her in her constituency. Another change that we have made will enable councils to generate their own electricity and sell it to the grid, freeing up a fantastic potential that has not been delivered in the past. My hon. Friend the Member for Stroud spoke about the critical use for technology in that area. British universities have global leading potential in the area. The genius of invention and innovation that is found in so many of our universities can provide fantastic opportunities to deal with the challenges we face. I am delighted that my hon. Friend, and many colleagues from all parties, are engaging with the Institute of Mechanical Engineers, because of the contribution that it can bring to the debate.

I shall now respond to some specific issues that have been raised. The hon. Member for Chippenham, and many others, raised the question of long-term financing. The United Kingdom is making a significant commitment to support action on the ground. The spending review provided £2.9 billion of international climate finance through the international climate fund. That will allow the UK to help developing countries to adapt to the impacts of climate change and move on to a low-carbon growth path. That fully funds the UK's pledge to deliver £1.5 billion in fast-start finance between 2010 and 2012, including £300 million for reducing deforestation.

Barry Gardiner: Will the Minister clarify whether those funds included any element of the previously announced £750 million for the environmental transformation fund?

Charles Hendry: The £2.9 billion is new in that it is drawn from the rising aid budget. Part of the £1.5 billion to which I have referred relates to the fiscal years 2011-12 and 2012-13. That is included in the figure of £2.9 billion. Funding for years three and four of the spending review period represents a further commitment of resources for climate finance. The hon. Gentleman may like more detail on that, and I would be more than happy to correspond with him if any further clarification is necessary.

Such figures demonstrate the UK's commitment to scaling-up climate finance to meet its fair share of the $100 billion of public and private international finance per year from 2020. We welcome the recent report from the UN Secretary-General's advisory group on climate finance, which makes a number of recommendations on how to meet the $100 billion goal. We look to make good progress in implementing its recommendations.

We need things to happen now, and that is why we call for international bodies such as the United Nations framework convention on climate change, international financial institutions, the International Civil Aviation Organisation, the G20, and others, to take action in their areas on the back of the report, so that we can deliver progress at Cancun with a view to producing concrete proposals by the time of the climate change negotiations in South Africa next year. It is clear that public finance alone is not enough; we also need to mobilise private investment. That is why we have launched the capital markets climate initiative to help create the right commercial conditions to drive economic investment in emerging economies.

The fast-start programme has been mentioned. As I have said, the United Kingdom will provide £2.9 billion through the new international climate fund and the spending review to help developing countries to adapt to the impact of climate change and move to a low-carbon growth path. That fully funds the UK's commitment to deliver £1.5 billion in fast-start finance between 2010 and 2012. My hon. Friend the Member for Richmond Park asked about the importance of bilateral agreement. We are absolutely clear that any action must be taken through bilateral and multilateral discussions. It will be a priority to deploy some of the finance to tackle deforestation.

The hon. Member for Brent North (Barry Gardiner) asked whether developed countries need to be clear about the finance they will provide to developing countries. We could not agree more about that, which is why we are pushing other countries to be transparent about how and where they are spending their fast-start finance. We support a Dutch-led website that allows countries to make information about their fast-start spends publicly available.

In his opening comments, the hon. Member for Chippenham asked about which AGF sources are a priority. He asked about the levy on aviation and shipping and the financial transaction tax. The report identifies a range of proposals on how to achieve the goal of £100 billion, and we now need to work with others to make that happen. The United Kingdom continues to work with the International Civil Aviation Organisation and the International Maritime Organisation to develop co-ordinated global solutions to tackle emissions from those sectors. Many questions need to be explored about whether proposals for a financial transaction tax offer a stable and efficient mechanism to raise revenue. Those are issues that the Government will take forward.

My hon. Friend the Member for Richmond Park asked about aviation, and we want to ensure that action to limit emissions from aviation is discussed at Cancun and in further negotiations next year. However, we must look at the potential perverse consequences that can sometimes emerge. It is clear that some freight is being brought by air into mainland Europe and then by lorry into the United Kingdom because of different levels of aviation tax in different countries. If we act unilaterally, we must be aware that the ingenuity of the business community will find ways around that, and it could be British consumers who end up paying without the important carbon savings being delivered.

[Charles Hendry]

My hon. Friend also asked whether the United Kingdom would support an end to World Bank lending to fossil fuel projects. As my right hon. Friend the Secretary of State for International Development said this morning, we will press the multilateral development banks to support a shift towards climate-smart lending across their portfolios. As part of that, the Government are reviewing the role of the multilateral development banks in energy lending. My hon. Friend the Member for Richmond Park has publicly asked the Department for International Development questions about that, and I am sure that the Secretary of State will be aware of the comments that he has made during this debate. He also asked whether we will press for reform on fossil fuel subsidies. We strongly support the G20 commitment to phase out inefficient fossil fuel subsidies. That commitment was restated at last week's G20 summit, and I assure my hon. Friend that we will continue to raise the issue in our bilateral contact with counterparts in other countries.

We have covered many issues during the debate, but I will conclude with the extent to which there should be international agreement. We would all like to see the EU take an international leadership role in these debates, but we must also recognise that we have our own national perspectives to push forward. As a country with a strong Commonwealth link, we perhaps have a different perspective from that of other countries in the EU. Although we would all welcome greater EU co-ordination and a greater ability to speak with one voice on such matters, we also greatly value the ability of independent nations and Governments to speak on behalf of their own populations and the expertise that they bring to the debate.

The situation is not about us and China against the United States. This is a global issue and we must bring the United States with us. I am not sure that trying to bully the American business community will work. We must build bridges with the American people and the American Government to persuade them of the urgency of doing what needs to be done. We know that they are facing particularly difficult times, as are we. The work of international organisations such as GLOBE International plays an extremely important part, and in that respect I pay tribute to the work carried out by many hon. Members of this House. If we are to make progress, we must do so in a co-ordinated way.

My final point relates to forestry, and a couple of contributions have mentioned the programme on reducing emissions from deforestation and forest degradation in developing countries—REDD-plus. Our overarching goal is to maximise the contribution to global mitigation from forest and land management action in developing countries. We seek to achieve that by agreeing to strengthen the UNFCCC rules on counting emissions from forest management action towards the targets of developed countries. Those rules should incentivise action beyond business as usual and ensure environmental integrity, but avoid unfairly penalising countries that are practising sustainable forest management. We are also seeking an ambitious deal on reducing emissions from deforestation and forest degradation.

The Minister of State, Department of Energy and Climate Change, my hon. Friend the Member for Bexhill and Battle (Gregory Barker), who leads on these matters in the Department, is talking to some of his international counterparts at this moment, which is why I have been standing in for him and responding to the debate. I hope that I have been able to reassure my hon. Friends and the Opposition Members who spoke that this is a matter of profound importance to the Government and we are determined to continue to make progress.

Houses in Multiple Occupation

4.20 pm

Nicky Morgan (Loughborough) (Con): It is a pleasure to open a debate that you are chairing, Mr Chope. I thank the Backbench Business Committee for allowing this debate on houses in multiple occupation after I pitched the idea to it "Dragons' Den" style. A colleague told me that I am making history today by having been granted the first one-hour Backbench Business Committee debate in Westminster Hall. If that is the case, I am grateful to be blazing a trail on an issue that so directly affects my Loughborough constituency.

It is a pleasure to see the Parliamentary Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Hazel Grove (Andrew Stunell) here today. Some of the substance of what we shall debate was discussed in the Delegated Legislation Committee debate on two relevant statutory instruments earlier this week. I see from *Hansard* that even though I was not present at that debate, I managed to get a mention in it because of this debate. The hon. Member for Southampton, Test (Dr Whitehead) suggested that my right hon. Friend the Minister for Housing and Local Government, who spoke then, would be speaking today. In fact, we have a different Minister today. I hope that that is because the Department realises that this is a topic of serious concern to quite a large number of hon. Members, so two Ministers need to take an interest in it.

I thank hon. Members for being here today. I realise that 4.30 on a Thursday afternoon is something of a graveyard slot, but several hon. Members have delayed leaving Westminster to be here and I am very grateful to them. I have received messages of support from hon. Members who cannot be here, including the hon. Member for City of Durham (Roberta Blackman-Woods), the right hon. Member for Oxford East (Mr Smith) and my hon. Friend the Member for Oxford West and Abingdon (Nicola Blackwood), who all confirm what a huge problem the concentration of houses in multiple occupation is in their constituencies.

On 9 June, my right hon. Friend the Prime Minister was asked by the hon. Member for City of Durham to confirm that the Government would not seek to undermine the Town and Country Planning (Use Classes) (Amendment) (England) Order 2010, which came into force on 6 April this year. He replied:

> "We all know of the problems of houses that are kept badly, and of past problems involving HMOs. I will ask the Minister for Housing to get in touch with her about his plans, so that we can ensure that we get this right."—[*Official Report*, 9 June 2010; Vol. 511, c. 329.]

I suggest to the Minister that the fact that we are here today means that we have not yet got this area of policy quite right, but I hope that today's debate will assist with that.

The primary reason for my asking the Backbench Business Committee for the debate was the changes that the Government decided to make to the April order. However, issues surrounding HMOs are not just about planning. I suspect that some hon. Members might want to talk about licensing and regulation of HMOs and safety concerns.

The change that I have mentioned was to introduce the Town and Country Planning (General Permitted Development) (Amendment) (No. 2) (England) Order 2010, which came into effect on 1 October and drove a coach and horses through the earlier order by allowing as permitted development the change of use from a dwelling house to a small-scale house in multiple occupation. The reasons for the April order and the reasons why the October change has been greeted with such disappointment by affected communities were discussed during the Delegated Legislation Committee and I do not want to repeat all of them here. That said, certain of the concerns are so great that I cannot avoid repeating some of what was said by hon. Members on both sides of the Committee. This debate also provides an opportunity to consider the wider issue of sustainable and balanced communities, and I will say more on that in a while. I should say now that I am a member of the all-party group on balanced and sustainable communities.

I shall concentrate on four issues. First, I shall talk about why any control on HMOs is needed at all, focusing on our experiences in Loughborough. The second issue is the April and October orders and the third is the practicalities of directions under article 4 of the Town and Country Planning (General Permitted Development) Order 1995. The final issue is where we go from here.

Shortly after I became the candidate in Loughborough, I was contacted by a group of residents known as the Storer and Ashby Area residents group, or SARG for short. Many of them live in an area of Loughborough known as the golden triangle. The area consists of a concentration of terraced houses, which had previously been occupied by all age groups and were within easy reach of the town facilities. However, over the years and particularly between 1994 and 2004, as our extremely successful local university expanded, there was insufficient student accommodation on campus, so landlords, including parents of students, began to buy those terraced houses and rent them to our students. That led to various problems, such as late-night noise, pressure on parking and rubbish collections, poor maintenance of houses and so on. Furthermore, the problem is not confined to one area of our town, but has spread to other areas and types of housing.

I should stress that I and, I think, the residents, because many of them work there, are very proud of our excellent, world-class university. It is my pleasure to visit the campus regularly—even when that involves a live TV debate about student finance against the vice-president of the National Union of Students. However, a growing university in a relatively small town causes problems, and no one seemed to be hearing the problems. The crunch came when the members of the residents group opposed a planning application relating to the building of more student accommodation in their area of town because of the impact that that would have on the local area. The planning inspector agreed with them, and everyone else locally started to sit up and realise that there was an issue that had to be tackled.

I am pleased to say that, since then, we have all learned a lot and come a long way. On the whole, there are good relations between town and gown in Loughborough. We have an excellent community relations officer at the university, senior management who want to be helpful, committed local street wardens, a proactive

[Nicky Morgan]

student union, a supportive and engaged council in Charnwood borough council, and residents who are able to raise the alert about problems. However, the problems remain.

The fact is that the balance in the part of Loughborough to which I am referring has almost irrevocably changed. Each academic year, residents have to brace themselves for the arrival of the students. Will they be good neighbours, as many are, or will they bring trouble, late-night noise and too many cars, often inconsiderately parked? The Minister might well ask, "Hasn't the damage been done? What would the April order have done to help with that situation?" Well, even now, there are people buying the remaining properties and trying to convert them. The April order would have given the local authority the power to know when those conversions were being proposed and to consider the impact on the local area.

In 2005, Charnwood borough council introduced a supplementary planning document on student housing provision in the town, which adopted a threshold approach that applied different responses to planning applications, depending on the percentage of student houses in any one area. The SPD is a material planning consideration when planning permission is sought—but that assumes that it has to be sought. If the property is being converted into a small-scale HMO, planning permission is not needed. That is why the April order was good news for Loughborough.

What are the consequences of losing a balanced community? The part of Loughborough to which I am referring has lost its primary school, church and post office due to lack of permanent residents. There is a rather ghostly atmosphere during university holidays, and as students are, by their very nature, transient, there is less of the sense of community and social interaction than is normally found in a stable and balanced community. There are also higher levels of crime. If a burglar breaks into a student house, he is likely to find several laptops, TVs and so on, which is bad news for the neighbours.

Turning to the April and October orders, I entirely understand the Government's desire to empower local communities, where there is a problem with a proliferation of HMOs, to take action. I also understand that that problem does not affect the vast majority of local authorities. However, we must give communities real power to put effective controls in place if they want to do so. I will come on to article 4 directions, but first I want to examine the reasons given for the change as set out in the explanatory memorandum and impact assessment for the October orders.

The evidence base for the impact assessment sets out many of the problems associated with HMOs—for example, antisocial behaviour, increased litter, parking issues, reduced opportunities for low-cost home ownership, closure of under-used community facilities, pressure on over-used community facilities such as doctors, and loss of community balance. The evidence base goes on to say:

"It has also been argued by some that it"—

that is, all councils being caught by the April order—

"could result in a reduction in supply of this type of low cost housing in areas where it is needed because prospective landlords could…be deterred from entering the HMO market by the time, cost and uncertainty arising from the requirement to submit planning applications. However, there is no reliable evidence supporting this."

Pages 8 to 10 of the evidence base set out the costs and benefits of the new orders for each affected group: landlords, local authorities, the planning inspectorate, HMO tenants and the local community. Those drafting the evidence base managed to think of both costs and benefits for each group, except for local residents, for whom no benefits are listed at all. That is at best highly unfortunate, given that they have to live in the affected areas.

On page 11, the document also says in relation to the costs of the new October orders that

"there may be some costs such as local communities would have no opportunity to comment on new individual HMOs…local authorities would lose the ability to consider the impacts of new individual HMOs"

and

"there may be a slight increase in complaints from neighbours in relation to particular HMOs. These costs have not been monetised."

I will say a word about the way in which the July 2010 consultation was conducted. A limited number of groups, including, I am pleased to say, the National HMO Lobby, were invited to take part. In response to a written question, the Minister for Housing and Local Government sent me a summary of the responses. Of those invited to respond, eight were against the proposed change and six in favour. Of those who responded on their own initiative, 31 were against and eight in favour. I ensured that all my local interest groups, the residents, Charnwood borough council, Loughborough university and Loughborough students' union, responded. All supported the retention of the April order.

Loughborough university stated:

"The concept of community balance is important in our local setting and the University continues to invest significant time, energy and resources to community issues. The University continues to believe that the case for the new legislation is similarly unchanged."

SARG stated:

"We fail to understand why you are overlooking the responses of 92% of more than 900 respondents to last year's country wide HMO consultation, all of whom saw a change in the Use Classes Order as the preferred way forward for avoiding concentrations of HMOs. Participants did not make a blanket proposal to stop landlords converting family homes into HMOs. We envisaged a change in the Use Classes Order which councils could opt out of in situations where it was expedient to increase such accommodation. We breathed a sigh of relief that Charnwood Borough Council were at last being given the tools with which to control concentrations of HMOs and which could be tied into the existing Student Housing SPD.

Your decision to revert to the status quo, with some slight changes to Article 4 Directions is like a slap in the face to local communities. We have been told for years by our local authority that Article 4 is not a practical means of control, more so now, in view of cutbacks to budgets and workforce. This implies that you are happy to consign communities like ours to eventual extinction."

The reason given for the limited consultation was that the detailed consultation that had taken place a year earlier had teased out the main points. I am sure that that is true. If those responses hold good, it is worth noting that only 1% of respondents supported the position that we find ourselves in of relying on article 4 directions.

I acknowledge the letter and attachments that the Department sent to me last night about article 4 directions and the process for making such directions. It would

have made it easier if they had arrived at 7 pm when I started drafting my speech, rather than at 11 pm when I had just finished, but I was glad to have them.

My concern is whether the ability to put in place article 4 directions adequately fills the gap left by the April order. The evidence base for the impact assessment on the October orders shows that there are direct financial costs to local authorities of putting article 4 directions in place. First,

"they will bear the administrative cost of processing planning applications as the fee is waived where article 4 directions have been made".

Secondly,

"there will be costs associated with publicising the intention to make article 4 directions."

Thirdly,

"where article 4 directions have been made with immediate effect or less than 12 months notice and where applications which were submitted within 12 months of the effective date are refused or granted subject to conditions, local authorities may be liable to pay compensation to applicants as set out in the Benefits section above."

Fourthly,

"there may also be costs associated with the need to investigate where intervention is necessary...and enforce against unauthorised HMOs."

The evidence base concludes:

"It is difficult to determine the extent to which local authorities will use article 4 directions to deal with new HMO development."

Local authorities have concerns about having to pay compensation to a party whose planning permission is refused when it would otherwise have been permitted development. Charnwood borough council's response to the Department in July 2010 stated that the article 4 option

"was among those offered to stake holders by the previous government in its exploration of potential planning responses to the problem. It failed to attract support chiefly because of the provisions for compensation which would have discouraged local planning authorities from claiming that power."

The Minister knows that local authorities will be calculating whether that is a financial risk worth taking at a time when money is so tight.

The submission of the Residential Landlords Association to the Department in July responded to the question whether planning authorities would choose to issue article 4 directions with immediate effect or with less than 12 months' notice:

"No, from our experience where compensation is involved it is highly unlikely that local authorities would seek to do anything which could involve them having to pay compensation."

In the light of the documents that were sent to me last night, will the Minister confirm what is the situation in relation to the conversion of a dwelling house to an HMO? Am I correct that if a council makes an article 4 direction with 12 months' notice of that direction, compensation may be payable if permission is refused within that first 12 months, but that after that time, assuming that all the proper processes are followed and the article 4 direction remains in place, compensation would not be payable?

I note that the Secretary of State also has the power to make article 4 directions. Will the Minister confirm whether the Secretary of State might take action if a local authority unreasonably refuses to make an article 4 direction in an area that needs it? I appreciate that that is not the kind of top-down action from Whitehall in which this Government, and this Secretary of State in particular, want to indulge.

Sarah Newton (Truro and Falmouth) (Con): I congratulate my hon. Friend on securing this debate. A number of hon. Members present have a university in their constituency. Much as we value those universities and the economic benefits that they bring to our areas, there are significant problems relating to HMOs. Does she agree that in areas with large unitary authorities, such as Cornwall, the council that is best placed to make decisions about the use of article 4 directions is the parish or town council in the area that contains the HMOs?

Nicky Morgan: I agree absolutely. If the Government want to empower local communities, they must do so at the right level and include those who are most aware of the problems. Local communities and councils that work together are fully aware of the problems. The Government rightly talk a lot about the localism agenda, and I am sure that the Minister has taken on board my hon. Friend's point.

Greg Mulholland (Leeds North West) (LD): The counter-point to that and to the Government's thinking on this matter is that if there is not a problem in an area, there will not be many applications to change to HMOs. The Government have therefore got this argument on its head.

Nicky Morgan: I recognise that this is not an issue for a large number of local authorities. Submissions have been made to suggest that councils could opt out of the regulations if they do not apply to their area. The Government have decided to give local authorities the power to impose restrictions when planning permission is sought. If that is the case, my argument is that local authorities must have real power and not be open to undue financial risk. Even those of us who have not been councillors know that local planning authorities do not like to take risks. If there is any chance of a financial risk in the current financial climate, they will be reluctant to take the powers that the Government have said are on offer to plug the April order.

Finally, I will say a word about restoring balance to our local communities. It is generally accepted that when a concentration of about 20% or more of a particular group, such as students, is found in one community, the balance of that community starts to change. I have mentioned the damaging effect that that shift had on the local school, church and post office in one area of Loughborough. Long-established residents decide they want to move out and potential new permanent residents decide to stay away. I do not believe that any national or local authority wants to see that, and I certainly do not as Loughborough's MP.

Where do we go from here? I hope that I can help the Minister by offering a few constructive thoughts. First, the explanatory memorandum for the October orders states that the policy changes are to be reviewed in October 2013 to consider their impact and the extent to which the objectives have been achieved. It states that arrangements are in place to allow a systematic collection

[Nicky Morgan]

of monitoring information for future policy reviews. In annexe I, the post implementation review plan is helpfully set out in detail. I agree that it is important to check what impact the changes are having. Will the Minister confirm that the review will take place and say what arrangements are in place to allow for the collection of that monitoring information?

Secondly, I hope that the Minister will pass on to the Minister for Housing and Local Government that since July, I have received more requests for him to visit Loughborough. Indeed, more constituents have requested him than have requested the Prime Minister. Please will the Minister or his colleague agree to visit Loughborough to see for themselves why local residents and the council are so concerned about this issue?

Thirdly, anecdotal evidence in Loughborough suggests that, as a result of the university having built much more on-campus accommodation, demand for houses in certain streets might be beginning to fall. Is there a way that the Department could work with local councils and communities to restore balance to such areas and to create more sustainable communities?

The Department recently announced a consultation on the new homes bonus. One of the questions is whether the bonus should be extended if empty properties are brought back into use. Would the Government consider whether the scheme or some other incentive could be extended to properties that can be used by families or other long-term residents, rather than sitting empty because the demand for them as student lets is shrinking?

In particular, many of my residents are concerned that, because students do not pay council tax, no council tax is received in respect of HMOs occupied solely by students. I agree that that is a whole other debate, for another day, but some form of financial incentive for restoring balance to local communities might be welcomed by local authorities and, indeed, actively sought in difficult financial times.

The idea of empowering local residents and the council to take direct action in specifically affected areas is right, but the powers must be real and capable of being exercised without opening local authorities to undue financial risk that would stop them taking those powers. This is also an opportunity to empower communities to put right some of the damage done—the imbalance caused by the rapid proliferation of HMOs in towns such as Loughborough. I look forward to hearing the Minister's comments.

Mr Christopher Chope (in the Chair): Before calling the next speaker, may I say that there is a lot of interest in the debate? If I call the first Front-Bench speaker at 5.10 pm, that leaves only half an hour to fit everyone else in, so I hope that people will keep their remarks appropriately brief.

4.41 pm

Lilian Greenwood (Nottingham South) (Lab): I am speaking in the debate because the issue is of extreme importance to my constituents, in particular those living in areas such as Dunkirk, Lenton and Wollaton Park who feel that their local neighbourhoods face irretrievable damage as a result of the uncontrolled spread of houses in multiple occupation.

I congratulate the hon. Member for Loughborough (Nicky Morgan) on securing the debate—her contribution was extremely thorough and asked many good questions on behalf of all of us.

Local people in Nottingham, supported by their local elected representatives, campaigned for years to secure the planning changes that Labour introduced on 6 April. They would agree that we should have acted earlier, but the change was none the less very welcome when it came. It was exactly what local people had been asking for and would have protected their communities for the future.

I do not need to go into a great deal of detail here, because hon. Members present understand the problems that high concentrations of HMOs create in local communities, but I want to set out briefly why the issues matter to my constituents in Nottingham South.

In Nottingham, we are fortunate to have two excellent universities that attract thousands of young people to our city. We value greatly the contribution that the universities make to our city and we welcome students into our communities. However, the impact of large numbers of family homes being converted into student lets has been considerable, and many long-term residents feel that their local neighbourhoods are changing beyond recognition.

For example, in Lenton, we have seen many of the local shops disappear, to be replaced by takeaways. Local residents have seen their local primary school shut down for lack of children. During term time, they experience daily problems with parking and, unfortunately, on occasion, with noise, litter and increased crime. Outside term time, they sometimes feel that they live in a ghost town.

The universities, Nottingham city council and local voluntary and church groups are working hard to restore a sense of community, but they need the support of the Government too. The ability to control the development of HMOs gave local people real hope—the opportunity to maintain balanced and sustainable communities, rather than have their neighbourhoods left to the market.

Chris Leslie (Nottingham East) (Lab/Co-op): I am grateful to my hon. Friend for giving way, because I am conscious of time. Obviously, the problems do not stop at the boundaries of Nottingham South. In Nottingham East, we share a similar set of problems. She is completely correct to say that the permanent residents, in particular those who are not students, feel strongly about the issues. It is a planning matter, and it seems such a shame that we are now not in a position to have the local authority properly empowered, in particular for this next year, to exercise those rights on behalf of local residents.

Lilian Greenwood: My hon. Friend is absolutely right—it is about the opportunity to maintain those balanced and sustainable communities, not about being anti-student. Students are very welcome, but it is important that communities are balanced. That is why local residents feel so badly let down by the Government.

I have three questions in particular that I want to ask. Hopefully the Minister will respond to them. First, why was the consultation this summer so narrow and selective? The previous Government undertook extensive consultation

on all the options and the planning changes they made reflected the view expressed by the vast majority of respondents. The current Government seem to have ignored all that and, after a hasty consultation over the summer, have chosen the option virtually no one—just 1%—wanted.

Secondly, why was the change rushed through without proper time for debate and discussion of the consequences or any time to see the implications and effects of the new planning changes that had just been brought in? It is very welcome that we are having today's debate, but the truth is that it is too late. The protection that local people had worked so hard to secure was removed at the beginning of October—yet the guidance on article 4 directions was not published until last week.

Finally, do the changes not present landlords in those areas most affected with a perverse incentive to convert family homes into HMOs before article 4 directions are in place? Local authorities cannot risk compensation claims, especially in the current climate, and therefore we will have a gap of at least 12 months when we will be back to uncontrolled development.

Local communities such as mine are desperate for local planning authorities to be able to protect their interests. Why are the Government simply ignoring them?

4.46 pm

Mark Lancaster (Milton Keynes North) (Con): It is a pleasure to participate in the debate and I congratulate my hon. Friend the Member for Loughborough (Nicky Morgan) on securing it. She articulated well many of the concerns of local authorities up and down the country, in particular on article 4 directions and the potential for compensation—certainly something my own local authority in Milton Keynes is concerned about. I will not dwell on those points, since she spoke so well, I simply ask the Minister one question on behalf of Milton Keynes council, which, he is aware, is seeking a legal review at the moment. The council is keen to continue negotiations with the Government, but I understand that the Government would rather wait until the legal challenge has finished before they communicate again. It would be helpful to me, and to the council, if the Minister could confirm that.

I am sorry to say that the debate is particularly relevant to my constituency. I have long pushed for tougher measures on HMOs, given the various problems that they have caused in Milton Keynes. I even secured an Adjournment debate on the matter back in 2007. However, two months ago, two people died in an HMO fire—deaths that might have been prevented—which brought into sharp focus why fire safety is paramount in such properties, of which we have many in Milton Keynes. I want to summarise the chain of events that led to the tragedy and propose how lessons might be learnt.

In the early hours of Sunday 5 September, the emergency services were called to 200 Fishermead boulevard, where a fire had broken out on the first floor. It was clear to crews on arrival that this was an HMO: a three-storey, three-bedroom terrace property converted into five bedsits. Firefighters rescued one woman, and a firefighter was injured when the floor collapsed beneath him.

In the morning, friends were still searching for 29-year-old Bola Ejifunmilayo and her three-year-old daughter Fiyin. It was not until the next day, when the friends reported the two missing, that the property was searched again. Their bodies were discovered in a top-floor bedsit, 30 hours after the blaze. Why the search was discontinued and why it took so long to discover the bodies are the subjects of separate police and fire investigations. I would not want to pre-empt the outcome of either investigation. My focus is simply that this was an undeclared, unlicensed HMO.

Since the incident, I have met the Buckinghamshire fire and rescue service. It is clear that the outcome of the tragedy could have been very different with only a few simple fire precautions. The crucial point is that, because the landlord declared that the house was not an HMO, there was no local authority inspection, which would have ensured fire precautions, such as fire alarms, being put in place. As a result, the fire was burning for approximately 45 minutes before 999 was called. There were no self-closing doors but, for example, the door to the room where the blaze started was open, and fire doors could have contained the blaze for at least 30 minutes.

On Monday, I joined officers during an HMO inspection. Their checks included ensuring that the landlord provided means of escape, as well as fire extinguishers, blankets and doors with in-built keys to unlock them. The unregulated conversion of some HMOs—such as the addition of extra rooms or the removal of wall and floor linings—can also pose structural risks, and creating ducting or openings between floors can assist the spread of fire and cause a chimney-like effect for the flames.

It is widely accepted that HMOs are more susceptible to fire than other types of properties. That is borne out by the figures. In 2007, around 2% of houses in the UK were HMOs, but around 33% of fire deaths happened in multiple-occupancy properties. In Milton Keynes, HMOs suffer a disproportionate number of house fires.

Apart from overcrowding, HMOs put five times as much demand on the electrical supply. In these properties, kitchen appliances such as fridges are common in bedrooms; electric extension cables abound; and several people often cook meals at the same time. There is also an element of anonymity among the people who live in HMOs. That can heighten the risk of fire. The population in some HMO communities can be very transient, and it unlikely that residents will know who is living in the next room, let alone the next house.

On the tragic morning of 5 September, it appears that there was confusion in Fishermead about who lived in which bedsit. Firefighters find it harder to evacuate places if there is no awareness among those who live there and no interdependency. Given the nature of HMOs and their tenants, will the Minister acknowledge that they are more hazardous and that they therefore warrant more stringent fire regulations? Despite fire safety being paramount in HMOs, 200 Fishermead boulevard was not licensed or identified as an HMO, and was therefore not subject to safety checks. As far as the council was concerned, it was a single family dwelling. The authority had been assured of that through an e-mail from the landlord in January 2009.

I emphasise how important it is for the authorities to know when a house is an HMO. Not only can the information help prevent fires, as I have explained, but when the fire service takes a 999 call the crew is able to prepare for such an incident en route. Given that fire

[Mark Lancaster]

safety can be assured only when an HMO is declared as such, registering these properties should be made a priority.

Even for registered HMOs, risks surround inspection. Dual legislation means that although local authorities are responsible for inspecting bedrooms and private areas, the fire service inspects communal areas such as kitchens, landings and stairways. The fire authority acts under the Regulatory Reform (Fire Safety) Order 2005, but the council has to adhere to the provisions of the Housing Act 2004. However, Milton Keynes operates a Local Authorities Co-ordinators of Regulatory Services or LACORS agreement. The council enforces it on behalf of both authorities, and it is supported by the fire service out of hours when required.

Apparently the LACORS method works better than when responsibilities remain divided. Even then, however, fire safety is not as rigorous as it could be. Councils have to give 24 hours' notice before inspections, but fire authorities can enter immediately. As a result, the deputy chief fire officer has written to the leader of Milton Keynes council, offering the authority the fire service's more dynamic powers.

It is no wonder that the fire service is so keen to help. It is the fire service that has to deal with the consequences. Officers would rather visit homes and install fire safety precautions than tackle a fire. They even have the power to prosecute. Meanwhile, the council is overstretched. Milton Keynes has five council staff responsible for overseeing the city's 90,000 properties. Will the Minister consider streamlining this dual legislation? Though the LACORS agreement works well in Milton Keynes, will he consider allowing the fire service to take the lead in HMO fire safety?

I acknowledge that HMOs fulfil a necessary role, and that they are here to stay. However, our current legislative approach underestimates the magnitude of risk that they pose to residents—as proved at Fishermead. I would like to see a more robust approach to fire safety for HMOs. To that end, will the Minister acknowledge the risk, prioritise their registration and perhaps put the fire services back in the driving seat?

4.52 pm

Dr Alan Whitehead (Southampton, Test) (Lab): I congratulate the hon. Member for Loughborough (Nicky Morgan) on securing this debate, and on the way in which she put her case to the House. I do not disagree with one word of what she said. The hon. Lady has campaigned and been active in the House on the issue of HMOs, as have I. If the Minister here today—and the Minister who was present at what might be called part 1 of this discussion, which took place on the prayer against the orders that were debated in Committee Room 12 on Tuesday—will not listen to me, I hope that they will listen to her.

The hon. Lady is absolutely right that, in Loughborough and in many other communities, the advent of new rules that enabled local authorities to take planning action as far as permission for HMOs was concerned represented a manifest step forward. Local authorities in many towns and cities had long wanted a change to be made so that such action could be taken.

As has been said, the debate is not about students or studentification. It is about balanced and sustainable communities in those parts of the country where students—but not exclusively students—occupy HMOs. It is not the students' fault, and not their concern, but such homes are often used in that way without conversion—and, as the hon. Member for Milton Keynes North (Mark Lancaster) said, without any thought of safety. They are placed in the HMO market and are instantly occupied by four, five, six or even seven people, where previously a family may have lived, with the attendant changes and stresses on the community that that represents.

Such change was for a long time out of sync with planning and housing legislation, and the idea that it could be subject to planning regulation and planning permission was a great step forward, not only in theory but in practice. The balanced and sustainable communities all-party group visited Belfast last year to see how the changes had been implemented there. It was a precise parallel, with the use class orders for housing separated into two, and the changes have worked well. Not only that, but the landlords in Belfast thoroughly supported the changes. They accepted that the new regime brought a number of benefits for them, as well as for the communities affected. I agree with the hon. Member for Loughborough that when the changes came into effect in the spring they made a difference. It was a difference too long in coming, but it was nevertheless real.

We then come to the October changes. Frankly—I shall not mince my words—they were an act of legislative vandalism. They purported to change the planning regulations so that planning permission could be required, under article 4 direction, in the communities with a concentration of such properties. As the hon. Lady said, it is extremely unlikely, particularly in the present circumstances, that many local authorities will take that route.

I have a letter announcing that the local authority in Southampton is cutting 250 jobs; among them are five environmental health officer jobs. That is the result of a £62 million deficit in the council's budget heading. The idea is fanciful that, at the same time as such cuts are being made, local authorities could easily take on board the risk of the compensation payments that might loom. It is also fanciful to suggest that local authorities would undertake a process outside the planning system, when if the planning permissions requirement had remained, the application fees would have paid for most of the changes so they would have been, effectively, self-funded.

We are back to the status quo ante. Like the hon. Member for Loughborough, I received a cyber missive late last night from the Minister for Housing and Local Government, setting out his reasons for the change. After a page of discussion on article 4, which is not quite the weapon that he thinks it is, he said that the problem affected only a small number of communities. That is not right. Indeed, in our debate on the orders on Tuesday, he said that the Rugg report on the consultations on the legislative changes made in April stated that only 0.5% of wards were affected. However, that was based on the idea that 10% or more of homes in that particular ward had already turned into HMOs. He then conceded that that was a substantial underestimate, and that 5% or 6% of communities were affected. That is out, I think, by some 15%, and I put the figure at 20% or 30%.

Most of the main freestanding towns and cities in this country have this issue at the heart of their communities. It is not a tiny minority issue. It may be the case that in substantial parts of the country it is not a particular issue but, as the hon. Member for Leeds North West (Greg Mulholland) pointed out, those are the places in which very few applications are made, so it is not a particular imposition—in theory at least—for those communities to have to look at planning permission as far as such homes are concerned. Even if it were an imposition, the original suggestions made during the discussions before the April measures provided for the idea of an opt-out.

In the letter that appeared on my computer last night, the Minister said that the change is all about localism. However, what has happened with these changes—which are frankly unbelievable amendments to the April changes—is that local people have been denied the opportunity to take back control of how their communities are balanced and planned by their local authorities. A far better version of localism would have been to enable communities and local authorities to opt out of measures if they thought that they were not appropriate for their areas. That would have been a genuine local choice. Before the recent changes, if communities had had serious concerns, the use class changes, the planning permissions, the funding and the ability of those communities to make decisions based on local need would be firmly in place. I therefore reject the idea that the measure is all about localism; it is not. It is about taking us back to the position we were in before any changes were made. I regret to say that those people who have been campaigning hard for change will have to do so all over again.

I hope that the Government will think again about the changes, review them early and conclude that they have got them wrong. I hope rather than believe that that will be the case. It may be that the representations that were made by the hon. Member for Loughborough will have to be repeated by many others to enable us to make progress to the balanced and sustainable communities that could have been achieved by these changes.

5.2 pm

Conor Burns (Bournemouth West) (Con): In view of the time, I shall be as brief as I can. I congratulate my hon. Friend the Member for Loughborough (Nicky Morgan) on securing this debate on a matter that affects a large number of constituencies the length and breadth of the United Kingdom.

When I arrived in Southampton in 1991 to go to university in what is now the constituency of the hon. Member for Southampton, Test (Dr Whitehead), only one in seven of the population went on to higher education. That figure is now almost one in two. My constituency of Bournemouth West is probably at the stage now where Southampton was in the early 1990s. Figures from the Chartered Institute of Environmental Health show that between 2000 and 2007, studentification increased in Bournemouth by 47.1%. That dramatic increase is having a huge impact on the communities that I serve.

On 17 June, the Minister for Housing and Local Government stated:

> "I understand the concerns of local people who see their neighbourhoods being damaged by undue concentrations of HMOs and the significant impact this is having on their quality of life."

That is profoundly true in Bournemouth West.

In two areas of my constituency, the problem is particularly acute. The Branksome East ward is in the Poole area and is adjacent to the university campus. Large Barratt-style houses that would go for between £350,000 and £400,000 are being purchased by landlords and used for student accommodation.

Justin Tomlinson (North Swindon) (Con): Does my hon. Friend support my idea that any expansion in higher education should be matched by an expansion in student hall facilities, thereby reducing the impact on existing housing stock?

Conor Burns: My hon. Friend makes a valid point on behalf of his constituents in Swindon, and one that is worthy of further consideration by the Minister.

In the area to which I referred there is a fantastic residents association, led by Victor Shears, that is trying to get Ministers to understand the impact of the problem and the ways in which it is changing the character of our communities. The Winton area, the most significant area in my Bournemouth West constituency, has seen a dramatic increase in the numbers of students in recent years. The Winton Forum, which is chaired by Pat Oakley and the former Liberal Democrat councillor Anson Westbrook, is working hard to engage in a dialogue with Ministers. It wants places where the problem is particularly serious to be better supported by Government regulation.

Let me give one small example of the problem's impact on the quality of life in the area. Bournemouth university, the Arts university college and Bournemouth council got together to joint fund a duty officer to monitor noise. In 2008-09, complaints were upheld against more than 90 student properties. Some 63 abatement notices were served on 16 properties. In the past year alone, the number of complaints has risen by more than 25%. In part, those increases were down to the fact that the local community and the university published out-of-hours numbers so that residents could make their complaints known.

Other hon. Members have talked about the increase in the number of fast food outlets and the diminished trade during university holidays that makes businesses unviable. I am not anti-student. I would not change a second of my experience in Southampton in the early 1990s. This is about universities being a vital part of the local economy and responsible players.

Let me put three important points to the Minister. First, my hon. Friend the Member for Loughborough made the point about compensation. That is a very serious issue that local authorities are having to deal with under article 4 directions. Secondly, there is the matter of the private rented sector handing over its properties to the university letting service, thereby exempting itself from some of the regulations. My hon. Friend was absolutely right about that, and tempts us to an Adjournment debate. Thirdly, there is the fact that student properties do not contribute to the council tax, but still require the services of the local authority.

I congratulate my hon. Friend on her efforts in this debate and I hope that we can have some reassurances from the Minister. I hope that I have been brief enough to let in one of my other colleagues.

Mr Christopher Chope (in the Chair): The Front Benchers have said that they will delay speaking until 5.15 to allow Back Benchers more time. I hope that the two hon. Members will be able to share that time between them.

5.8 pm

Greg Mulholland (Leeds North West) (LD): I thank the Front Benchers for that concession.

I congratulate my hon. Friend the Member for Loughborough (Nicky Morgan) on not only securing the debate but making an excellent and knowledgeable speech. I say that as someone who has been both a councillor and an MP for Headingley. I have worked with many campaigners not only from Leeds but from all over the country. Let me put it on record that I think that it is a disgrace that I have only two or three minutes to give the views of the people of Headingley, who have been campaigning on this issue for 10 years. We should have had a debate on this subject before 1 October and before last Tuesday. It is an insult to each and every Member of this House and to Parliament that we have not had the chance to do so. As a big supporter of Parliament, I know that my hon. Friend the Minister will agree with me, even though he will probably not say anything.

This is a cross-party issue. I pay tribute to Andy Reed, the predecessor of my hon. Friend the Member for Loughborough, who assiduously worked on this matter; my own predecessor, Harold Best; and all the MPs, councillors and council groups who have taken the subject seriously. It is interesting that the Government say this is all about giving councils more power. In that case, why were councils not consulted about the reversal of the changes in April? Some have taken to legal action to get their views across, which seems a very perverse perspective.

I am proud to be the vice-chair of the all-party group on balanced and sustainable communities, and I work with colleagues with similar problems in similar areas. I always make it clear that what is important is balance and that balance is in everybody's interest. Areas that are 90%, 95% or 100% HMO, as some are, are not in the interests of students. During the summer, those areas become ghost towns; they do not have neighbours to look after the properties and keep an eye on them. The only ones who benefit from that imbalance are the businesses that rely and thrive on it.

There is frustration after 10 years of campaigning all around the country and, let's face it, not being listened to. When we were finally listened to, there was a consultation and a decision, but it has been quickly reversed without consultation with councillors, Members or the all-party group. My hon. Friend the Member for Loughborough pointed out that 92% of respondents to the consultation wanted change.

In the limited time that I have, I want to make a few points to the Minister. First, HMOs are an important part of the housing stock, as we all recognise, and in their appropriate place they are to be welcomed, but they do not represent additions to the housing stock because HMOs are nearly always conversions from existing family homes, hence the problem. In nearly all cases, and certainly in virtually every case in my constituency, one more HMO means one less family home.

The additional burdens on local planning authorities have perhaps been exaggerated. Indeed, I ask the Government to justify the numbers further. The figure of 8,500 additional planning applications per year is cited, but I have not seen grounds for that estimate. Will the Minister write to the all-party group providing that information? There is no real financial burden on local planning authorities from the changes that were announced in April, because the fees for planning applications are intended to cover the costs, and all planning applications for HMO change-of-use should, therefore, be cost neutral.

I must bring the Minister's attention to the letter that the Minister for Housing and Local Government received from Leeds city council, which referred to the costs of article 4 directions. We are all aware of the problem and are trying to resolve it. Only this week, Leeds city council in its entirety—all parties—supported a motion to, first, lobby the Government to say that they think that the Government have made a mistake, and, secondly, to ask for clarification about whether they can use those article 4 directions, because the costs that the chief planning officer in Leeds set out are worrying, as other hon. Members have mentioned. The cost of surveying the housing mix in some areas would be £320,000, and, as the hon. Member for Southampton, Test said, we are in a difficult financial situation. I know that Ministers have addressed the costs of compensation, but concerns remain.

I shall sit down to give my colleague, the Member for North Swindon (Justin Tomlinson), the chance to speak in this debate, but I regret that we have not had a chance to debate HMOs and the changes properly—a debate that I have twice asked for in business questions. Can that finally happen, so that we have hours to all put our constituents' views across?

5.13 pm

Justin Tomlinson (North Swindon) (Con): Thank you, Mr Chope, for the opportunity to support this excellent debate that my hon. Friend the Member for Loughborough (Nicky Morgan) secured. I am conscious that I need to be brief, and, as I intervened earlier to get one of my points across, I will be.

I speak as both the North Swindon MP and as a former councillor of 10 years in my constituency. I have seen at first hand what a big problem this is. I have a quick list of reasons why I am so keen to support my hon. Friend. Those reasons include the connected problems of antisocial behaviour and crime; inadequate parking provision—I know from experience that that does not mean that people give up their cars but that they create parking spaces, which is dangerous, particularly for emergency service vehicles; the pressure on rubbish and recycling services; additional strains on local facilities, which was mentioned earlier; and the fundamental change to the nature of an area. Hon. Members have spoken about the impact of HMOs on the quality of life, as I have in earlier contributions, and my hon. Friend the Member for Milton Keynes North (Mark Lancaster) brought up safety.

I am conscious of time, so I will simply reiterate the point that I made earlier: my constituency is desperate to secure a university. As a councillor, for a number of years I kept making the point that we should link an increase in higher education provision with additional

halls of residence provision, to ensure that there is not a knock-on impact on to the existing housing stock. I would like the Minister to look at ways to explore whether that is practical.

5.14 pm

Alison Seabeck (Plymouth, Moor View) (Lab): Like other hon. Members, I congratulate the hon. Member for Loughborough (Nicky Morgan) on securing the debate on an important issue, which I know is close to her constituents' hearts. She will know that, sadly, in many respects the debate is overshadowed by the fact that on Tuesday delegated legislation passed that took away local people's right to object to new HMOs in their areas. We have heard excellent speeches and interventions this afternoon, all of which have reinforced the points that the hon. Lady expressed so well in her speech.

We heard from my hon. Friend the Member for Nottingham South (Lilian Greenwood), who rightly expressed concern about the nature of the consultation, which I shall touch on shortly. My hon. Friend the Member for Southampton, Test (Dr Whitehead) gave us the benefit of his wide experience. The hon. Member for Bournemouth West (Conor Burns) argued forcefully for his community, and was matched only by the anger of the hon. Member for Leeds North West (Greg Mulholland) and the constructive comments from the hon. Member for North Swindon (Justin Tomlinson). I shall talk about the constituency of the hon. Member for Milton Keynes North (Mark Lancaster) later.

We all know many problems caused by the unchecked spread of HMOs. They include poor-quality conversions; cramped living conditions; loss of mixed and balanced communities; higher, wasteful energy consumption; and a greater risk of fires, and, therefore, concerns over health and safety. In conversations that I have had with the fire service, one thing is clear: the greater the number of bedsits, the greater the risk of fires. That is exacerbated by the lack of hard-wired smoke alarms in those properties. I hope that hon. Members on both sides will attend tomorrow to support the Bill promoted by the hon. Member for Torbay (Mr Sanders), which will help to tackle that serious problem. I hope also that the Government will not oppose it on the basis of the one-in, one-out rule for regulation, particularly when we hear of the tragic case that the hon. Member for Milton Keynes North raised of a death that might have been prevented.

Stripping away the ability of planners to review applications for bedsits as a matter of course does not fill me with confidence that standards and safety for tenants will rise. In our debate on Tuesday, I raised with the Minister the fact that Labour's regulations were introduced "after a substantive consultation" with stakeholders across the sector. There was no such consultation when the present Government decided to do away with those rights for local people. That is not localism. However, representations were received from a number of interested parties—let me run through a few of them from papers deposited in the Commons Library. The National HMO Lobby was against, the National Organisation of Residents Associations was against, the Planning Officers Society was against, and the Royal Town Planning Institute was against. They commented that the blanket removal of a council's ability to manage controversial developments in their area will, in practice, have the opposite effect to the one that the Government want. Torbay, Southampton, Milton Keynes, Exeter, Charnwood, Manchester, Leeds, Newcastle, Haringey, Blackpool, Great Yarmouth, Oxford Nottingham, Southend-on-Sea and Thanet councils were all against the change. Only one authority was in favour: Canterbury.

Right hon. and hon. Members wrote to the Minister opposing his plans to take the rights away, including the hon. Members for Manchester, Withington (Mr Leech) and for Bath (Mr Foster), from the Liberal Democrats, and the hon. Member for Loughborough, who rightly pointed out that when the Labour Government held a consultation, 92% of respondents were in favour of the rules that we brought in and only 1% were in favour of the article 4 directions that the Minister has introduced.

I am sorry that the Government are not listening to the hon. Lady's utterly reasonable concerns, but that is not surprising. Are the Government really seeking to devolve power to local communities, as they claim? Are they merely trying to smooth the path for developers and landlords at the expense of local residents' rights? We heard on Tuesday and today that the change is about avoiding blanket legislation to protect a few people. All equality legislation is predicated on that premise. Would the coalition do away with that as well? Why are these measures being brought forward in haste? Is it because the changes to housing benefit will increase the number of people seeking single rooms and bedsits? According to the Department for Work and Pensions, something like 88,000 people will seek to move into bedsit-type accommodation.

I am amazed, however, that the Government would pursue a policy that strips away local people's rights. They preach the virtues of localism, but sacrifice those virtuous words when it suits their political aims. Localism is not a creed for this Government; it is a convenience. Local people and local communities deserve better than that.

We have heard a lot from Ministers about the wonders of article 4 powers. We have heard from hon. Members speaking for their local authorities that the powers will not do the job. Plymouth city council expressed the view to me that because the directions will cause the number of HMO applications to rise, while planning fees are not payable for such applications, the change will create additional work load with a net cost loss. I would welcome the Minister's comments on that.

I have not seen any evidence to support the Government's case for the change in regulations. Colleagues here today have argued the case well. I hope that the Minister will respond in detail to the specific questions posed, particularly by the hon. Member for Loughborough.

5.20 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Stunell): It is a pleasure to serve under your chairmanship, Mr Chope.

I am pleased to have the opportunity to respond to this debate, which has included well informed and occasionally passionate contributions from Members. I do not want to minimise the underlying point that it is important to ensure that houses in multiple occupation

[Andrew Stunell]

are appropriately placed, safe and secure and that they do not have a destructive impact on their neighbourhood. It is certainly not the Government's intention to give a charter of immunity to unscrupulous landlords. On the contrary, we have introduced a targeted process of control that is available to local planning authorities. As quickly as I can due to limited time, I will explain to the House exactly what is proposed, state what progress has been made and, as far as I am able, answer the questions raised.

One point at issue is how widespread the problem is. The Minister for Housing and Local Government gave in the debate on Tuesday and brought to the Committee the estimate made in the Rugg report. He said, "Let's assume for the sake of argument that it's actually 10 times worse than that, and that it's 5%." Members have said today that 20% of the country is affected. In that case, I must say gently to my hon. Friend the Member for Leeds North West (Greg Mulholland) that he cannot claim at the same time that 8,500 planning applications is an overestimate. If the size of the problem is anything like what some people have described, the number of applications made will be hugely greater. In fact, if it is a 5% problem, that means that out of the 8,500 applications that the impact assessment anticipates, only 450 would be in problematic areas. That would impose on landlords a £12 million application cost that would be completely unnecessary for 8,000 out of those 8,500. I say to hon. Friends who perhaps believe even more strongly in deregulation than I do that surely there cannot be anything very wrong with that.

Dr Whitehead: Will the Minister give way?

Andrew Stunell: Certainly, but my time is limited.

Dr Whitehead: I understand that, so I will make my intervention brief. The Minister's mathematics simply do not add up. If the problem is as concentrated as he suggests, most of the applications will be made in certain areas and not others. He cannot divide the number arithmetically across the country, conclude what the number of planning applications will be and still stand by the view that it represents only a small number of wards in the whole country.

Andrew Stunell: I can, and I shall debate it with the hon. Gentleman later over a cup of coffee. I point out that that is not at the heart of the Government's case. Our case is quite clear: effective legislation should be in place where there is a genuine problem. We are saying that that will be determined by local planning authorities, not by national legislation.

I understand that the hon. Gentleman has a letter from Southampton city council. I know that Southampton and Portsmouth do not get on well, but Portsmouth has already started the process of imposing an article 4 direction on the whole city. It takes 28 days to do it, and then its 12-month period will run. Perhaps Southampton should learn from Portsmouth. It is dangerous for me to say so, but I will say it.

I commend the Minister for Housing and Local Government on pointing out in the debate on Tuesday that in his constituency of Welwyn Hatfield, Welwyn was fine while Hatfield had a problem due to the university of Hertfordshire students and their HMOs. He supposed, and I understand that he told the Committee, that Welwyn Hatfield council would take action on article 4 in relation to part of its area. Several Members who have spoken in this debate mentioned specific areas in their constituencies that were a problem. The hon. Member for Bournemouth West (Conor Burns) mentioned Branksome East and Winton in particular, and the hon. Member for Nottingham South (Lilian Greenwood) discussed three wards in her constituency.

That is exactly the Government's point: the problems are comparatively localised, although serious where they arise. We believe that there is a better way to address them. We believe that the article 4 system will deliver. There is already evidence from Manchester, Portsmouth and Exeter that local authorities are responding and are not finding it unduly burdensome to go down that route. The guidance issued by the Minister for Housing and Local Government on 4 November will, I hope, give them some additional reassurance on that point.

I welcomed and enjoyed the contribution made by the hon. Member for Loughborough (Nicky Morgan). Yes, we will be undertaking a review, as she requested. Yes, monitoring will take place. I am absolutely sure, given all the eyes turned on us, that if we did not, the House would be quick to remind us of it.

Alison Seabeck: Will the Minister confirm exactly how the monitoring will be done and who will do it?

Andrew Stunell: I will have to write to the hon. Lady on that point, but I am very willing to do so. There are a number of questions to which I might not have the opportunity to respond fully and properly, and I will attempt to catch up with them by correspondence.

I say to my hon. Friend the Member for Milton Keynes North (Mark Lancaster) that we absolutely should not trivialise the issue of safety in HMOs. As a type of housing, they have a poor reputation for safety and fire. That is why a licensing system exists and fire brigades pay special attention to them. However, that is not controlled by the planning system. The planning system responds only to applications, or possibly to reports from neighbours that an application should be made. It does not prevent a rogue landlord from turning his house into something else, which might lead to horrific incidents like the one that my hon. Friend reported. The issue is not part of the planning application process, nor is it specifically relevant to the legislation that we are discussing, but fire protection matters are a responsibility of my Department, and I will take his concerns back to the relevant Minister, so that he is fully aware of the situation.

Another point made was that a local planning authority may be too big a body to take a sensitive and informed decision about where an article 4 order is needed. The example given was Cornwall. If Cornwall is too big an area to take a sensitive and informed decision about where HMOs need to be controlled, how much more true is it that central Government is not in the right place or on the right scale to decide? The driver for the change is giving that responsibility back to the locally elected democratic level in this country, which has been disempowered over the years by successive Governments.

We are turning that process around, which means that we are strongly committed to helping councils and local planning authorities take such decisions and respond to pressure from the ballot boxes in their areas rather than to the dictates of Whitehall. That is what localism—turning the whole top-down control system into a bottom-up one—is all about. I do not apologise for what the Minister for Housing and Local Government has said. It is right that the House recognises the importance of localism in this context.

5.30 pm

Sitting adjourned without Question put (Standing Order No. 10(11)).